# FINANCIAL TIMES

World Business Newspaper http://www.FT.com

FRIDAY JUNE 19 1998


**FT Weekend tomorrow**
**The bark of dogs, the roar of traffic - the hum of war**

**Change in Iran**
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**Mahler's birthplace**
**New cultural retreat emerges in Bohemia**
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## WORLD NEWS

### Tension mounts with Greece as Turks send jets to northern Cyprus

Tension between Turkey and Greece over Cyprus increased yesterday after Mesut Yilmaz, Turkey's prime minister, ordered six Turkish F-16 warplanes to northern Cyprus. He said Turkey was responding to the visit earlier this week of four Greek F-16s and two transport aircraft to the Greek Cypriot-controlled southern section of the divided island. **Page 22**

**Israel to tighten hold on Jerusalem**
Prime Minister Benjamin Netanyahu announced plans to strengthen Israel's hold on Jerusalem, including tightening ties with West Bank Jewish settlements. **Page 7**

**Kohl warns of EU centralisation**
Chancellor Helmut Kohl warned against excessive centralisation of the European Union in a pre-election speech apparently designed to boost his image as a defender of German interests. **Page 22**

**Clinton signals moves on Iran**
President Bill Clinton yesterday held out the prospect of a "genuine reconciliation" between the US and Iran in the strongest sign so far that Washington is seeking a rapprochement. **Page 7**

**ETA guerrilla sentenced**
A Spanish court sentenced a senior member of the Basque separatist group ETA to an 83-year jail term for firing grenades at a Civil Guard barracks in 1991.

**Clinton names Holbrooke for UN**
President Clinton nominated Bosnian peace broker Richard Holbrooke to be US ambassador to the UN, replacing Bill Richardson. **Page 6**

**Danes opt for wealth-sharing**
The Danish government has secured support from leftwing parties for tax reforms that will result in a significant redistribution of wealth. **Page 4**

**EBRD to fund Chernobyl closure**
The European Bank for Reconstruction and Development is set to agree its biggest single loan to secure closure of Chernobyl, site of the world's worst nuclear accident. **Page 4**

**Strasbourg to curb expenses abuse**
The European Parliament committed itself to ending abuse of expense accounts among deputies.

**Indian arsenal could rival China**
India's potential nuclear arsenal is bigger than that of Britain and in the same league as that of the French and Chinese, according to Jane's Intelligence Review. **Russia-India reactor deal, Page 2**

**Latvia urged to ease restrictions**
NATO secretary-general Javier Solana urged Latvia to approve legal amendments easing citizenship requirements for its large Russian minority.

**Hungarian prime minister named**
Hungarian president Arpad Goncz designated Viktor Orban as prime minister with a brief to form a cabinet likely to get Hungary into the EU and Nato early next century.

**Draw helps Danish prospects**
A 1-1 draw against South Africa at Toulouse took Denmark within sight of the second round of the World Cup soccer finals. **World Cup coverage, Page 10**

**Airborne smuggling foiled**
An attempt in South Africa to smuggle stolen diamonds fastened to a carrier pigeon was foiled when a policeman shot the suspect bird.

## BUSINESS NEWS

### Pension fund group asks UBS to sell it rather than take away its autonomy

PDFM, the UK's third largest pension fund manager, has told Union Bank of Switzerland, its parent group, it would rather be sold than lose its autonomous status. UBS last night acknowledged it was reviewing the role of PDFM as part of its merger preparations with Swiss Bank Corporation, but no decision had been taken. **Page 23**

**Gianfranco Ferré**, one of Italy's best known fashion houses, is in talks over the sale of a 49 per cent stake to Prince Alwaleed bin Talal, the Saudi billionaire, for up to L250bn ($140m). **Page 23**

**Robert Bosch**, the world's biggest independent car parts group, expects sales of its anti-skid Electronic Stability Programme to rise from last year's 50,000 units to about 500,000 in 1998. **Page 24**

**Rémy Cointreau**, the French drinks group, blamed the Asian crisis and poor hedging against the strengthening US dollar as it reported annual losses of FFr621m ($103.5m) compared with profits of FFr36m the year before. **Page 24**

**Cliveden**, the luxury hotel and country club group based at one England's finest houses, has recommended a £42.8m ($70m) offer from a group of US investors that includes Microsoft boss Bill Gates. Built in 1666, it was once home to Frederick, Prince of Wales, and later to the Astor family. **Page 23**

**Lloyd's of London** members and the High Premium Group, representing several thousand Names, will today seek assurances from chairman Max Taylor at the insurance market's annual meeting that their future as sole traders is secure. **Page 8**

**Regent Pacific**, the Hong Kong-based fund manager with a focus on emerging eastern European markets, saw net profits more than double to US$73.7m in its first year as a listed company. **Page 27**

**WorldPartners**, the global telecommunications alliance led by AT&T of the US, received a boost with a decision by Telstra, the partially privatised Australian telecoms operator, to take a 10 per cent stake. **Page 27**

**South Korea** threatened to cut loans to conglomerates that refuse to support rationalisation. The move came as Seoul released a "death list" of 55 companies marked for liquidation by creditor banks. **Page 2; Lex, Page 22**

**Boeing** of the US said in its annual forecast of aircraft demand that airlines in Asia would buy 150 fewer aircraft than expected over the next four years but should then return to being among the world's biggest buyers of jets. **Page 5**

**The global film industry** had a buoyant year in 1997 as growing production budgets in Europe and North America fuelled a rise in investment to $14.97bn from $13.36bn in 1996. **Page 5**

**Goldman Sachs**, the US investment bank, paid $130m for a 3.6 per cent stake in Bank Hapoalim, Israel's largest. **Page 24**

**World Equity Markets**
The latest trends and data from more than 50 national markets at a glance
Page 41

# Asian crisis starts to take heavy toll on US exports

## Economists warn of slower growth as trade deficit rises to record $14.46bn

Ryutaro Hashimoto in Tokyo yesterday: 'I will do my best to achieve growth driven by domestic demand.' Picture:Reuters

By Mark Suzman in Washington and Peter Montagnon and Michiyo Nakamoto in Tokyo

The US trade deficit rose 9.5 per cent in April to a record $14.46bn as the effects of the Asian economic crisis started to take a heavy toll on US exports, the Commerce department said yesterday.

The rise was significantly above market expectations, and economists said it indicated that continued deterioration in Asian economies could lead to slower US economic growth over the rest of the year.

The announcement follows Wednesday's dramatic decision by the US authorities to intervene in the foreign exchange markets in support of the flagging Japanese yen.

Larry Summers, deputy Treasury secretary, began a series of top-level talks in Tokyo yesterday in which he was expected to emphasise the need for corrective action by the Japanese government to stimulate the domestic economy and restore confidence in the country's banks.

Tokyo shares recovered more than 4 per cent yesterday and other Asian markets rallied sharply in the wake of the joint intervention by the US Federal Reserve and the Bank of Japan. The prospect of further intervention kept the yen well above its recent lows, although midway through trading in New York, it weakened to Y137.72 against the dollar on concern that the promised Japanese economic reforms would not go far enough.

Although imports dropped 0.9 per cent on the month to $91.6bn, exports fell 2.6 per cent to $77.1bn, reflecting a steep drop in Asian demand for capital goods such as civilian aircraft. That increased the politically sensitive deficit by $1.2bn from the revised $13.2bn recorded in March.

The US-Japanese intervention on the currency markets was welcomed yesterday by China, which had been threatening to devalue its own currency – a decision which would have sparked a new round of market turmoil.

"We are glad to see the exchange rate of the Japanese yen is picking up," said Dai Xianglong, governor of China's central bank. Trade and currency issues are expected to feature high on the agenda of President Bill Clinton's trip to China, which begins next week.

US trade figures indicated that the bilateral deficit with China rose 13.7 per cent in April to $4.28bn, up from $3.76bn in March and the largest deficit since last October.

Further evidence of strains in the Japanese banking system emerged yesterday as Moody's, the credit rating agency, downgraded the subordinated debt of the troubled Long Term Credit Bank of Japan. A record seasonally adjusted trade surplus of Y1,580bn for May also underlined the weak demand in the Japanese economy.

Mr Summers, who is accompanied by William McDonough, president of the New York Federal Reserve, is today expected to meet Masaru Hayami, governor of the Bank of Japan, and Hikaru Matsunaga, finance minister.

Ryutaro Hashimoto, the Japanese prime minister, vowed to act on his promises to stimulate the domestic economy. "To spark a rebound in the stalled economy, I will do my best to help to write off bad loans, achieve growth driven by domestic demand, open Japanese markets further and promote deregulation," he said.

Economists warned that the yen could quickly resume its downward slide if Japan did not produce concrete measures to revive its economy by the conclusion of an emergency meeting of officials from Group of Seven industrialised countries and leading Asian countries scheduled for Saturday in Tokyo. "If they don't come out with a credible package, the markets will riot," said Ken Courtis of Deutsche Morgan Grenfell.


Pressure on Hashimoto, Page 2
Japan to Jakarta's aid, Page 5
Editorial Comment and A prop not a panacea, Page 21


# Russia asks for $10bn-$15bn external help

## IMF team due in Moscow next week to discuss financial assistance

By John Thornhill in Moscow

The Russian government yesterday publicly acknowledged the seriousness of its financial crisis by requesting $10bn to $15bn of external assistance to help stabilise its volatile markets.

Senior ministers had suggested they might be able to overcome the crisis on their own.

Anatoly Chubais, who was on Wednesday given the job of co-ordinating Russia's relations with the International Monetary Fund, said: "We do not aspire to the same kind of aid as Japan does. We have different parameters, budget and GDP. I think there should be serious talk about resources in the range of $10bn-$15bn," he said. President Boris Yeltsin amplified the call for additional "support and investment", saying he had recently consulted western leaders about the issue.

Mr Yeltsin did not specify whether he had sought direct bilateral assistance from the Group of Seven leading industrialised countries, adding that Russia would have to rely chiefly on its own efforts to overcome its economic troubles.

A senior IMF team is due to open talks with the Russian government in Moscow next week about providing additional financial assistance. But the early signs are that there will be a robust exchange of views.

The IMF surprised the markets yesterday by postponing a decision to disburse the latest $670m tranche of its existing $9.2bn support loan. It said the Russian government would first have to show it had implemented actions previously agreed with the fund.

Mr Chubais had earlier made clear the Russian government would not automatically comply with every condition proposed by the IMF even though it offered the cheapest form of financing available.

"There are conditions, some of which we will be carrying out in any case under the government's reform course," Mr Chubais said. "But there are others we will not accept from anyone, not from any financial organisation."

The Russian government yesterday demonstrated it could tap other sources of financing by launching a $2.5bn 30-year eurobond issue, managed by J.P. Morgan and Deutsche Bank.

Mikhail Zadornov, finance minister, said much of the proceeds of the eurobond would be used to retire expensive domestic debt. Yields on short-term government debt fell yesterday by 15 percentage points to 53 per cent. Mr Zadornov said the government was also forging ahead with plans to slash government spending by Rbs42bn ($6.8bn) this year. He said up to 70,000 federal government employees would be laid off by the end of the year.

Anders Aslund, a Russia expert at the Carnegie Endowment for International Peace, the Washington-based think-tank, said there appeared to be a growing divergence of views between the US administration and the IMF over policy towards Russia. He said the IMF was being "overly pessimistic" about the government's ability to implement its promises.


Lex, Page 22
Russian bond issue, Page 23


# Canadian regulator disregarded warnings over magnet maker

By Edward Alden in Toronto

The Ontario Securities Commission disregarded a number of warnings about sales claims at YBM Magnex International, the magnet maker since suspended on the Toronto Stock Exchange, the Financial Times has learned.

The commission was told by industry experts last autumn that YBM had attributed almost a quarter of its 1996 revenues to a procedure that technical specialists say has no commercial applications.

The news will add to suspicions that securities regulation in Canada is not being conducted as rigorously as it should.

Regulators are still reeling from the collapse last year of Bre-X Minerals, a mining exploration company whose claims to have found the world's largest gold deposit in Indonesia turned out to be groundless.

The warning on YBM's revenues was just one of a series of red flags disregarded by regulators when they approved a secondary C$53m (US$36m) stock issue last year, according to people familiar with the OSC's due diligence investigation.

YBM, which attained a market value of more than C$900m this spring before being suspended last month, faces possible de-listing from the exchange. Regulatory hearings have been postponed until August 10 and trading in the stock remains halted.

In its 1996 financial statements, YBM said it earned more than US$20m of its US$90m in total revenue from adding a neodymium powder byproduct to crude oil it buys, has refined and resells to the Ukraine. Neodymium is a rare earth material used to make permanent magnets for industrial applications.

The neodymium powder absorbs sulphur from crude oil, which reduces refining costs, according to YBM's 1997 prospectus for the stock offering. However, experts on rare earth applications said they had never heard of neodymium being used to desulphurise crude oil.

YBM's Pennsylvania headquarters were raided last month by the US Federal Bureau of Investigation and thousands of documents seized as part of a criminal investigation. One of the company's major shareholders, Semion Mogilevitch, a Ukrainian-born financier, was barred from the UK in 1995 following an investigation into alleged money laundering involving Russian organised crime.

OSC officials this week declined to comment on the YBM investigation.

Magnet for investors, Page 8



## WORLD MARKETS

| STOCK MARKET INDICES | | |
|---|---|---|
| **New York: lunchtime** | | |
| Dow Jones Ind Av | 8,821.24 | (−8.22) |
| NASDAQ Composite | 1,773.47 | (−2.93) |
| **Europe and Far East** | | |
| CAC40 | 4,052.27 | (−40.65) |
| DAX | 5,718.06 | (+8.70) |
| FTSE 100 | 5,812.1 | (−20.8) |
| Nikkei | 15,361.54 | (+646.18) |
| **US LUNCHTIME RATES** | | |
| Federal Funds | 5.5% | |
| 3-mth Treas Bills: Yld | 5.19% | |
| Long Bond | 108½ | |
| Yield | 5.7% | |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | 7⅞% | (same) |
| UK: 10 yr Gilt | 109.9297 | (109.875) |
| France: 10 yr OAT | 105.01 | (104.84) |
| Germany: 10 yr Bund | 108.66 | (108.42) |
| Japan: 10 yr JGB | 111.36 | (111.73) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $10.965 | (11.365) |

| GOLD | | |
|---|---|---|
| **New York: Comex** | | |
| Jun | $292.8 | (293) |
| **London:** | $293.35 | (291.95) |
| **EXCHANGE RATES** | | |
| **Dollar** | | |
| **New York: lunchtime** | | |
| £ | 1.6667 | |
| DM | 1.79715 | |
| FFr | 6.0235 | |
| SFr | 1.4987 | |
| Y | 137.965 | |
| **London:** | | |
| £ | 1.674 | (1.6591) |
| DM | 1.7899 | (1.79) |
| FFr | 6.0003 | (6.002) |
| SFr | 1.4944 | (1.492) |
| Y | 137.375 | (138.18) |
| Tokyo Close | | Y 136.2 |
| **Sterling** | | |
| DM | 2.9962 | (2.9697) |



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# WORLD NEWS

ASIA-PACIFIC

**YEN SUPPORT** MARKETS LOOK FOR COMMITMENT TO BANK REFORM

# Total restructuring – without winners

Acting too quickly could deepen recession, writes **Gillian Tett**

For seven long years Japan has procrastinated over its banking problems. Now Ryutaro Hashimoto, the prime minister, has pledged to sort them out.

The problem he faces is that if Japan does not take rapid action to clean up the banking mess, the mess will weigh down the economy and undermine investor confidence.

But if Japan does act quickly, it could risk tipping the economy even more deeply into recession by triggering waves of company closures and a credit squeeze that may leave many businesses howling with pain.

As one government official admitted: "If we don't act at all, we will get criticised. But if we act too fast, we could worsen a recession. We cannot win."

Japan's financial sector has three related problems: a Y77,000bn ($560bn) mountain of problem loans, which were created when the 1980s bubble collapsed; too many banks; and too large a role for banks in the economy.

A solution will not be found in any single neat policy "package", however much the Japanese might like to produce one at the Group of Seven meeting this weekend. What is needed is reform to the very structure of the banking industry.

Some bold steps have been taken. The Ministry of Finance recently admitted that total "problem" loans are some Y77,000bn, three times earlier estimates. In April the largest banks made more than Y10,000bn write-offs. And some have started to foreclose on bad loans, forcing companies into bankruptcy.

But many obstacles remain. The property and tax laws still make it hard for the banks to dispose of the property behind bad loans. The banks are still reluctant to call in bad loans from favoured customers. And many banks are simply too weak to make big enough provisions to cover their bad loans.

To solve this, the ruling Liberal Democratic party is planning to change the tax and property code. It is also considering setting up a public body that would purchase the property behind the bad loans.

But the big uncertainty is whether the LDP is ready to take the next step – to force the banks which are too weak to dispose of their bad debts actually to close or merge.

Some politicians appear to be. Seiroku Kajiyama, a senior LDP figure, for example, recently called for a scheme that would "force" the banks to make provisions for most of their problem loans immediately.

If banks were too weak to cope, he argued, then the government should use some of the Y30,000bn of public funds it recently earmarked to help boost their capital bases. Or as a more draconian solution, it should simply force them to merge or fail.

The LDP is also considering creating a publicly owned "reconstruction" bank, that would be similar to the institution that helped wind up the US savings and loans mess. This would take over the healthy assets of failed institutions.

Meanwhile, behind the scenes, officials are talking mergers. It is rumoured, for example, that groups such as Nippon Credit Bank, Long Term Credit Bank, Fuji, Daiwa or Yasuda Trust – to name but a few – could be forced to unite with others in the coming months. The "carrot" for this would be an injection of more public funds that could turn these bodies into quasi-nationalised banks.

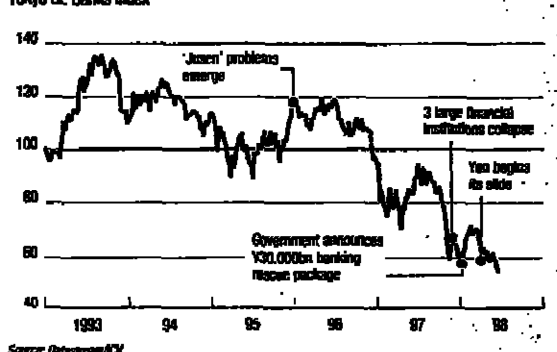
Such schemes are likely to be welcomed by investors. But the crucial catch is that banks might be encouraged to cut credit lines. As one Ministry of Finance official says: "If you start forcing closures of banks, you will trigger lots of bankruptcies and the economy is not strong enough for that."

Given this, most observers suspect that Mr Hashimoto will still opt for the more "softly, softly" approach. But this week's market swings have shown that investors are now crying out for action – and will punish the government if it simply delays.

Finding a "middle way" may yet be possible. But it will require a level of political competence that Japan's government has not shown during the last year.

Japanese banks: burdened

Tokyo SE Banks index




Source: Datastream/ICV

# Chinese brinkmanship wins a triumph in world markets

**James Harding** on the devaluation hints that prompted the US intervention

The US intervention to support the yen appears to have rewarded China's first display of brinkmanship with the world's financial markets.

Washington's commitment of funds to reverse the sliding Japanese currency comes after more than a week of increasingly explicit hints from Beijing that further depreciation of the yen could jeopardise China's commitment to hold its currency steady in the interests of Asian financial stability.

Dai Xianglong, China's central bank governor, yesterday applauded the concerted efforts by the US and Japan to bolster the yen and said a devaluation of the renminbi, the Chinese currency, was "unnecessary".

But it may have been Mr Dai's comments last week that forced Washington's hand. Mr Dai's warning that the decline in the yen was having a detrimental impact on Chinese exports sent a wave of anxiety across financial markets that China might be forced to devalue its currency and propel Asia's damaged economies into a devastating new round of competitive devaluations.

Chen Xiaoyue, associate dean of the School of Economics and Management at Tsinghua University in Beijing, said: "We may think that this [intervention] is a victory for the Chinese government." Professor Chen speculated that the White House might have made the calculation, ahead of President Bill Clinton's visit to China next week, that "if he arrived here to find the economy was collapsing, we would have found it difficult to talk about anything much".

Beijing's recent appeals for support for the yen and the management of the hypersensitive issue of a Chinese devaluation are likely to reinforce the reputation for economic statesmanship that China has earned by promising to maintain its exchange rate rather than risk a further unravelling of Asian economies.

William Hanbury Tenison, head of Jardine Fleming Securities in Shanghai, said: "At the moment, the Chinese are writing the history books. All through the Asian crisis, China has played its hand extremely wisely... and gained a huge amount of international kudos."

Over the last 10 days, senior government officials have been unusually outspoken in their calls for Japan to take action to stabilise its currency, reflecting profound concerns about the vulnerability of the Chinese economy to the collapse of the yen and the downturn in Asia's largest economy.

China's exports to Japan, which accounted for 17 per cent of exports last year, already look set to be hurt badly in 1998. Oriental International, the Shanghai-based trading company, for example, reported in the Chinese state-owned media this week that exports to Japan have fallen by a third in the first five months of this year compared with 1997.

Inward investment seems to have fallen even more sharply. Japan accounted for roughly 9 per cent of China's $45bn utilised inflows of foreign direct investment (FDI) last year. But, government officials reported last month that Japanese investment has already fallen by 42 per cent this year. Analysts at ING Barings expect Japanese FDI will fall by 55 per cent in 1998.

There have also been worries in corporate China that a sliding yen would not only damage exporters but also manufacturers for the domestic market, which would not be able to compete with huge volumes of industrial products that Japan might dump on the Chinese market at low prices thanks to a weak yen.

The pressures that a collapsing Japanese currency could put on China prompted some to speculate that concerted US and Japanese intervention in the currency markets may have been the result of co-operation between more than just Washington and Tokyo. Chen Jian, senior analyst at Guotai Securities in Shanghai, said he believed that "intervention was the result of timely communication between the US and China".

# Pressure on Hashimoto to act

By Michiyo Nakamoto in Tokyo

Now comes the hard part. Mr Ryutaro Hashimoto must deliver.

The Japanese prime minister must produce the decisive measures to deal with the troubled banking sector and to boost the economy by stimulating domestic demand.

Failure to do so will send the yen plummeting again, threatening the ruling Liberal Democrat party's prospects in upper house elections next month as well as Mr Hashimoto's own future.

Mr Hashimoto's room for manoeuvre is inhibited by the election but also by a radical change in the pattern of policy formation in Japan.

The elections for the upper house of the Diet on July 12, make it difficult for the LDP to adopt unpopular policies. While there is acknowledgement by private sector economists and some LDP factions that banks must dispose of their problem loans, the party is hesitant about forcing them to do so, for fear of provoking widespread company failures before the elections.

Mr Hashimoto has also been constrained from introducing permanent tax cuts, as demanded by the US, in part because it would mean lowering taxable income thresholds to make up for the loss of revenues. Mr Hashimoto has admitted that he "lacks the courage" to make such an unpopular move before the elections.

But after this week's currency intervention, analysts believe he will finally act. "The government has only a short breathing space," says Teizo Taya, director of Daiwa Research Institute. Unless it comes out with concrete measures soon, intervention will have been pointless, he warns.

This policy paralysis is also traceable to disagreements between the LDP, the ministry of finance and the financial sector. LDP factions, the Bank of Japan and many economists believe greater disclosure of the exact level of banks' problem loans is a prerequisite for any government initiative. But the finance ministry and the banking sector have resisted greater disclosure, which they fear could ultimately lead to a further tightening of credit and more bankruptcies.

The LDP has also traditionally valued consensual politics, which prevents swift, decisive responses. Disagreements tend to be papered over rather than resolved.

At the same time, responsibility for formulating financial policy has largely shifted from the ministry of finance, whose authority has been weakened by a series of scandals, to the LDP.

But LDP politicians lack both the resources and the expertise to deal with issues as complicated as problem loans, says Okiharu Yasuoka, who heads a key LDP committee entrusted with drawing up the government's plan to restore financial stability.

Hashimoto: tax restraints

# Hong Kong breathes a collective sigh of relief

By John Ridding in Hong Kong

A sharp fall in interest rates and a stock market surge signalled a sigh of relief in Hong Kong yesterday as hopes of stability in the yen eased pressure on the territory's currency peg to the US dollar, linchpin of its financial system.

But while Hong Kong's financial community saw respite from a downward spiral of rising interest rates, recession and growing anxiety over the peg, relief masked continued reservations about Japan's ability to deliver on reforms and sustain support for the yen.

Tung Chee-hwa, the territory's post-colonial leader, has been urging international action to halt the slide in the yen. And for most, the importance of the concerted US-Japanese action was hard to overstate.

"It is a major landmark," said Mervyn Davies, chief executive for Hong Kong at Standard Chartered Bank. "Whether it is the answer to everyone's prayers, we will see. But clearly confidence depends on whether people are going to be there if needed and that has been proven. The US is going to work with Japan and that will have a massive impact on general sentiment."

That impact was immediate in money markets, where a liquidity squeeze has had a suffocating grip. Interest rates, which had soared at the start of the week after heavy selling of Hong Kong dollars and a speculative raid last Friday, fell towards normal levels.

The overnight rate traded at 7 per cent, compared with 15 per cent on Monday, while the three-month rate stood at 9.5 per cent, down from this week's high of 19 per cent and, significantly, below the prime lending rate of 10 per cent. Share prices on the benchmark Hang Seng index jumped 6.4 per cent, following another 6.4 per cent rise on Wednesday.

The latest bout of anxiety over the peg had been triggered by the tumbling yen and fears it would force China to devalue. Should the renminbi be devalued, the peg would be placed under severe pressure. And should the peg be breached, it would probably trigger capital flight, soaring interest rates and a hefty blow to Hong Kong's standing as a regional financial centre.

But while the US-Japanese initiative eased external fears, it did not remove them. "Without evidence of a new commitment to reform in Tokyo, then we will quickly be back to square one, or worse," said the head of equities at one Hong Kong investment bank.

Nor does the US engagement address problems in the Hong Kong economy. As the territory slides into recession, it faces powerful deflationary forces, the fallout of a burst asset bubble and rising unemployment.

A stable yen, however, would reduce the risks arising from the territory's adjustment. "At least we are not confronted with external and internal pressure at the same time," said Ma Guonan, head of regional economic research at Salomon Smith Barney.

# South-east Asia gives two cheers

By Ted Bardacke in Bangkok and Sander Thoenes in Jakarta

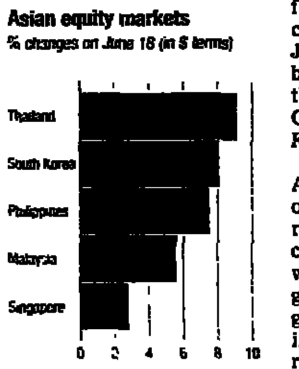
South-east Asian leaders, who had in recent days been unusually vocal in calling for global intervention to halt the slide of the Japanese yen, refused to declare victory yesterday despite soaring financial markets and strengthening currencies.

"There is a sigh of relief more than anything else," said Paul Alapat, senior economist with Indosuez W.I. Carr Securities in Singapore. "This isn't going to turn things around but there will be a little more order to the gradual depreciation of south-east Asian currencies."

The beleaguered economies of south-east Asia have been severely buffeted in recent weeks by the yen's weakness, which lowers Japanese demand for the region's exports, slows direct foreign investment and credit extention by Japanese companies and banks and casts a pall over the crucial stability of the Chinese renminbi and Hong Kong dollar.

Asian equity markets

% changes on June 18 (in $ terms)




Source: Datastream/ICV

As a result south-east Asian officials went on the offensive – unusual for a region that generally takes care not to be too public with its criticisms of other governments – warning of global turmoil and complaining that their domestic reform efforts would go for naught if the yen was allowed to continue its slide.

There had also been fears in diplomatic circles that the visit by the US Treasury secretary, Robert Rubin, to Malaysia, Thailand and South Korea from June 28 to July 1 would be dominated by complaints of US inaction.

But south-east Asia's domestic problems have not gone away with the temporary rebound of the yen. Bad debt problems, the need to recapitalise banking systems and growing uncertainty about the unity of governments through an unprecedented recession continue to hang over the region.

In Indonesia, for example, the regional rebound boosted the rupiah to Rp14,000 to the US dollar at the close of trading in Asia, up from Wednesday's low of Rp17,000. Extremely thin supply from foreign banks, worried about Indonesia's deteriorating economy, kept trade to a trickle.

Bankers said yesterday's gains were far from sufficient to revive confidence in a debt rescheduling framework agreed in Frankfurt earlier this month, when the rupiah hovered around Rp11,000.

"At these rates, [the framework] is not sustainable," one senior banker in Jakarta said. "There would be very few debtors who could commit at this rate. And I don't see many debtors surviving at this rate either."

In Thailand, which last year learned an expensive lesson that currency intervention works only when backed up by structural economic reform, officials noted that Japan still had to fix its economy.

# Seoul threatens to cut loans to chaebol refusing to rationalise

By John Burton in Seoul

South Korean officials yesterday threatened to cut bank loans to big conglomerates, or *chaebol*, that refuse to support industrial rationalisation, as the government announced the liquidation of 55 troubled companies.

Most of the companies on a "death list" drawn up by bank creditors are affiliated with groups already on the brink of collapse or in receivership. The list also included 20 companies belonging to the stronger top five *chaebol*, but the affected units were minor businesses.

The state-ordered liquidation was meant to speed corporate restructuring and prevent ailing banks from providing scarce capital to prop up failing conglomerates instead of using the funds to support healthy companies.

The banks had been reluctant to cut lending to troubled groups because any resulting bad loans could lead to their own closure by wiping out equity.

The 55 companies targeted for elimination had combined loans of Won17,000bn ($12bn), which will further squeeze the banks, with total bad loans of Won68,000bn at the end of March.

Subsidiaries of 20 *chaebol* were included on the "hit list", with Hanhwa, Dong-ah, Kohap, Haitai, Shinho, New Core, Hanil, and Hyosung being the groups most seriously affected. Most of them have been surviving on emergency loans.

Analysts were disappointed none of the weak large units of the big five *chaebol* were affected as the banks chose 20 insignificant subsidiaries, only one of which, Hyundai Livart, is listed.

Nonetheless, "the foreign investor response should be positive since this is evidence that the government is prepared to act decisively in leading the restructuring of the corporate sector," said Stephen Taran, global head of sovereign research at Salomon Smith Barney.

Lee Hun-jai, head of the government's financial supervisory commission that oversaw the liquidation process, said the agency might demand more liquidations.

The government of Kim Dae-jung has promoted the idea of "big deals" in which leading *chaebol* would exchange businesses, with each conglomerate taking a leading role in one industry such as Samsung in electronics, Hyundai in cars and LG in petrochemicals. Mr Lee said the car industry was particularly harmed by excessive investment as Hyundai, Daewoo and Samsung were all producing vehicles.

Recent reports suggest that the government wants Hyundai to cede control of its petrochemicals unit to LG, which in turn would hand over its semiconductor business to Samsung, while Samsung will transfer its car operations to Hyundai.

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**CIVILIAN REACTORS** MOSCOW CONSIDERS PACT IS EXEMPT FROM G8 EXPORT CURBS

# Russia to snub India N-sanctions

By Mark Nicholson in New Delhi

Russia's atomic energy minister will visit Delhi next week to initial a longstanding agreement to provide two civilian reactors, dismaying Moscow's fellow Group of Eight states which pledged last week to curb nuclear exports to India after its recent atomic tests.

Separately, the US was last night due to announce the details of sanctions against India and Pakistan in retaliation for last month's nuclear tests.

Yevgeny Adamov will sign on Monday what Indian officials are calling a "supplement" to the 10-year-old agreement with R. Chidambaram, chairman of India's Atomic Energy Commission.

The pact is for two Russian designed 1,000MW light water reactors to be built at Kudankalam in Tamil Nadu state, south India.

Officials in Delhi have hailed Mr Adamov's trip as a welcome defiance by Moscow of sanctions and proof that "the atomic tests will not come in the way of Indo-Russian bilateral co-operation, even in the most sensitive areas."

The timing and nature of Mr Adamov's trip has irked western officials, who see it as puncturing attempts by the UN Security Council permanent members and Group of Eight member countries to maintain a common stance towards India since its nuclear tests.

One diplomat in Delhi said: "Clearly the Russians are sending a signal that is counter to the signals all the rest of us are sending."

Russia, a consistent friend and arms supplier to India during the Cold War years, joined France in refusing to impose bilateral sanctions after India's tests.

Russian officials in Delhi refused to comment on Mr Adamov's visit. However, Moscow is understood to consider the longstanding deal with India is exempt from G8 strictures, arguing the proposed reactors would be purely civilian in nature and subject to international safeguards. Indian officials said the reactors would be subject to regular inspections by the International Atomic Energy Agency.

The deal would represent India's first import of nuclear technology on this scale since civil US and Canadian nuclear assistance in the 1960s, during the birth of India's nuclear programme.

Officials at India's Atomic Energy Commission in Bombay said the reactors would take five years to build at a cost of around $3.1bn, financed both by Russian credits and funds from India's state-owned Nuclear Power Corporation.

The two proposed reactors form part of an ambitious civilian nuclear programme under which India already operates five commercial reactors, with a further 12 reactors either planned or under construction.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maravoglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.



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# Paris go-ahead for Giat restructuring

By Robert Graham in Paris

The French government is to go ahead with a significant restructuring of Giat, the loss-making state-owned tank and munitions group, cutting the 10,500-strong workforce by at least a third.

This will be the second attempt in three years to rationalise Giat's operations, but the new plan promises to be both more drastic and more politically sensitive. The unions say as many as five of the defence group's 14 plants face closure.

Although the unions have warned of substantial job cuts, Alain Richard, defence minister, confirmed the government was preparing to announce a restructuring plan next month. He said that 3,000-4,000 jobs would be lost and several plants shut down. He declined to give details of the plant closures other than to say "a small number" would be closed.

This suggests the government is trying to limit the number of plants affected because of the emotiveness of job losses at state-run enterprises. Workers at the state-owned naval dockyards in Toulon recently went on strike for six weeks due to a decision to contract out a ship repair job.

Giat is shaping up to be a test case of the Socialist-led government's resolve to cut costs in France's state-controlled defence sector. Since 1996 the state has pumped in FFr11.6bn ($1.9bn) to prop Giat's ailing finances, the most recent being FFr4.3bn agreed in February. The workforce has also been cut by more than 2,500.

But this seems to have been to little avail. The core of Giat's employment is linked to production of the Leclerc battle tank, which is being delivered to the French army and to the United Arab Emirates. A 1993 contract to supply 436 tanks to the Emirates at a fixed dollar price of $3.6bn is being carried out at a loss; while the rhythm of delivery to the French armed forces has slowed because of defence savings.

The finance ministry is pressing hard to rationalise production ahead of future Europe-wide industrial concentration as orders shrink and development costs rise. The government prepared the ground for job cuts by legislation last month allowing generous terms for early retirement at 52. But the short-term financial cost of large-scale redundancies will be high.

Between 1990 and 1998 total government spending has risen 30 per cent at current prices. But defence outlays during this period have shrunk 19 per cent. The government has picked on defence as an area where further significant economies can be achieved as it prepares the priorities of the 1999 budget.

A strong reminder of the need to find spending cuts came yesterday from Jean-Claude Trichet, governor of the Bank of France, in the bank's 1997 report. In his annual letter to President Jacques Chirac, Mr Trichet said it was essential in the context of the single currency to have budgets "close to balance or in surplus" in periods of strong growth as a cushion against deterioration in economic conditions.

This was a repetition of an earlier criticism from the Bank of France of the government's gradualist approach to reducing the deficit. Next year the planned deficit will be reduced to only 2.3 per cent of gross domestic product, from 3 per cent.

Jean-Claude Trichet, Bank of France governor (left), with Dominique Strauss-Kahn, finance minister

# Germany out of favour for HQs

By Ralph Atkins in Bonn

Germany has become less attractive as a European location for international company headquarters for tax reasons and "lifestyle" considerations, the American Chamber of Commerce (ACC) in Germany warned yesterday.

A study by the ACC suggested that US, Japanese and South Korean companies were showing an increasing preference to transfer functions to London or Brussels.

The ACC's study of more than 100 international companies said the main reasons for locating away from Germany were corporate and personal tax rates, high labour costs and decisions to merge corporate functions elsewhere. US companies were particularly concerned with the tax treatment of stock options as incentive payments.

However, Norbert Quinkert, chairman of Motorola in Wiesbaden, said international companies also found "psychological" barriers in attracting staff to work in Germany. He cited language difficulties and rules on shopping hours which left city centres shut after 4pm on Saturdays.

Location decisions were often based on "subtle" factors, while decisions to leave Germany were not publicised. There were also examples of companies, particularly telecoms and multimedia businesses, moving into Germany, he added.

● Germany had a visible trade surplus of DM11.4bn ($6.3bn) in April, indicating the continuing strength of the country's exports. However, the surplus was lower than the DM12.8bn reported in March, according to federal statistics office figures released yesterday.

Exports fell from DM83.7bn in March to DM83.4bn in April while imports rose from DM70.9bn to DM72bn.

# Attempts to form Hungary coalition

By Kester Eddy in Budapest

Arpad Goncz, Hungary's president, yesterday invited Viktor Orban, leader of the centre-right Fidesz-Hungarian Civic party, to form a government and become the third, democratically-elected prime minister of Hungary since the demise of Communism in 1989-90.

Fidesz, which emerged as the leading party in last month's elections, is trying to reach an agreement to form a coalition government with the rightwing Smallholders party.

Mr Orban said yesterday he hoped for a coalition agreement to be signed this week, which would pave the way for a government to be formed in early July.

Fidesz has already come to a coalition agreement with its close ally, the Hungarian Democratic Forum, which will take the justice portfolio. Together with the Smallholders, which will have four ministers, the incoming coalition will have 55 per cent of MPs in the 386-seat parliament.

Mr Orban has pledged to overhaul government and Fidesz will have 11 ministers in the new enlarged cabinet, including the key foreign, economic and finance portfolios.

Also, Fidesz promised prudent financial policies after the markets showed initial post election jitters. Laszlo Urban, the finance minister designate, said on Wednesday that the government would seek a minimum three percentage-point reduction in inflation, currently at 16 per cent, in each of the next two years. The government would introduce measures to achieve a cut of 6 per cent in 2000.

However, there is concern over the award of the defence portfolio to the rural-based Smallholders, and over the ministerial nominee, Janos Szabo, a former manager of a large florist company.

# Greece set to shed emerging market label

**Athens is shaping up as a promising candidate to join Emu in 2001 but questions remain about progress on privatisation, write Kerin Hope and Jeremy Grant**

Greece's Socialist government has undergone a crash course in the past few months on the workings of the financial markets.

The Asian economic crisis, which triggered a sharp drop in Greek bond prices, led the government to speed up reforms aimed at modernising the secondary bond market and attracting more overseas investors.

The long-awaited changes include a specific timetable for auctions of government debt in which primary dealers from a group of Greek and foreign banks participate, and the introduction of automated bond trading on the Athens stock exchange.

The gradual replacement of short-term treasury bills with long-term bonds will ease the finance ministry's burden of financing a swollen public debt equal to almost 110 per cent of gross domestic product. Parliament yesterday approved the waiver of tax on interest income earned on government bonds of more than two years maturity.

Nikos Christodoulakis, deputy finance minister, says the lessons of the Asian crisis have been absorbed: "We're making the transition from an emerging to a developed market. So far the investor response has been very encouraging."

Nowhere is this more evident than in the Greek bond market. With entry into Europe's exchange rate mechanism in March and recent success in battling inflation, Greece is shaping up as a promising candidate to join economic and monetary union (Emu) in 2001. Rumour has it the Brussels monetary committee has already started referring to Greece as the 12th Emu member.

That has turned the country's nascent bond market into one of the few remaining Emu interest rate convergence gambles in Europe. The bet is that yields will fall and bond prices will rise as interest rates are lowered to combat inflation. Investors who buy Greek bonds now will be able to cash in as 2001 approaches. In recent weeks, there has been a surge in issuance – by sovereign and corporate borrowers – of drachma-denominated bonds, which offer the highest yields in the European Union. Greek bond yields are still trading at attractive spreads over their German counterparts, analysts say, despite having narrowed since a devaluation of the drachma in March.

However, economists say Greece faces three challenges as it tries to satisfy the fiscal and monetary criteria required by Emu: maintaining momentum on its privatisation programme, taming public sector unions and curbing inflation. The government's success in resolving these issues will determine whether the Greek bond market maintains its current shine.

"They've brought inflation down, which has brought interest rates down, which has reduced their deficit payments," says Phyllis Reed, European bond strategist at Barclays Capital. "As long as they stay inside that virtuous circle they're going to get there. The absolutely critical thing is holding that exchange rate now to keep inflation down."

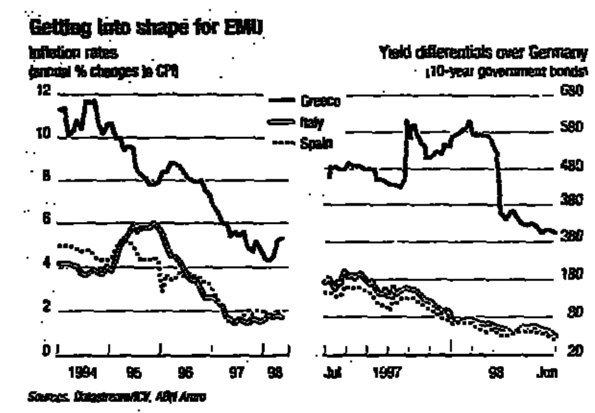
The planned privatisations of banks and public utilities, as well as abolition of state subsidies for loss-making state enterprises, are also seen as crucial to reducing inflation and the budget deficit to levels compatible with membership of the euro.

Although Greece has not yet achieved any of the EU convergence targets, it expects to cut the deficit this year from 4 per cent to 2.9 per cent of GDP, just meeting the requirement of the EU's Maastricht treaty on closer integration. Inflation is projected to fall from 5.3 per cent in May to 2.5 per cent by December 1999.

However, the reforms are opposed by powerful public sector unions which fear privatisation will result in widespread job cuts. The government must also contend with a leftwing Socialist faction which is still committed to public ownership. "Without progress there, it will be unfeasible to reduce the public debt in a meaningful way and keep inflation low," says Miranda Xafa, currency strategist at Salomon Smith Barney.

A six-week strike by workers at Ionian Bank, which is due to be sold next month, underlines the difficulties that lie ahead. Ionian's staff are trickling back to work after receiving assurances from the government that no jobs will be cut for at least three years. But union leaders are still contesting details of the proposals.

Platon Monokroussos, treasury analyst at ABN-Amro bank, believes investors have yet to see convincing evidence of progress in privatisation. "The track record of Greece in privatisation is very poor. They have to prove themselves."

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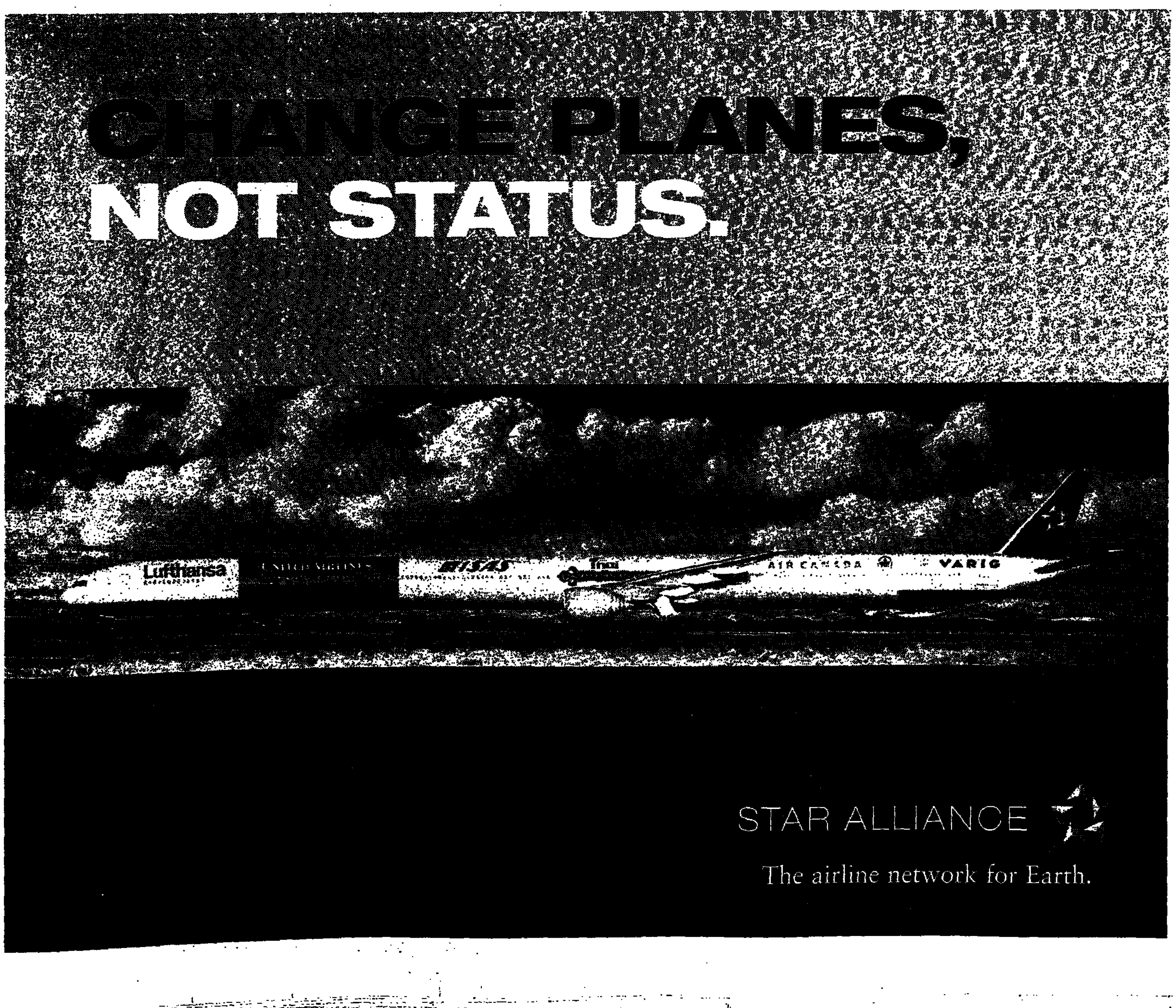


# Spanish radiation leak poses questions

By David White in Madrid

Mystery still prevails over a radiation leak at a Spanish steel plant which was officially notified to international authorities a week ago. The questions centre on its origins, its connection to a surge in radioactivity levels in parts of southern Europe, and an alleged delay in giving the alert.

The incident, at the Acerinox steel complex at Algeciras on Spain's southern tip, has brought allegations from regional officials that the company acted "clumsily and late", and attacks by the Greenpeace environmentalist organisation describing Spain as "a banana republic in waste management".

It is the second environmental scare in the region this year after April's disaster near the national park of Doñana, in which toxic sludge from a mine belonging to the Canadian-Swedish Boliden group spilled into the Guadiamar river. Josep Piqué, Spanish industry ministry, told a parliamentary committee it was not yet proven the Algeciras leak was the source of a radiation cloud reported at earlier this month in southern France, northern Italy and Switzerland. He suggested that the leak probably came from the melting of scrap from X-ray equipment.

According to Juan Manuel Kindelán, president of Spain's Nuclear Safety Council (CSN), the Algeciras incident could be the cause of the radiation wave. The company, which sought to reassure investors this week by saying that the incident had not affected production, has questioned the link.

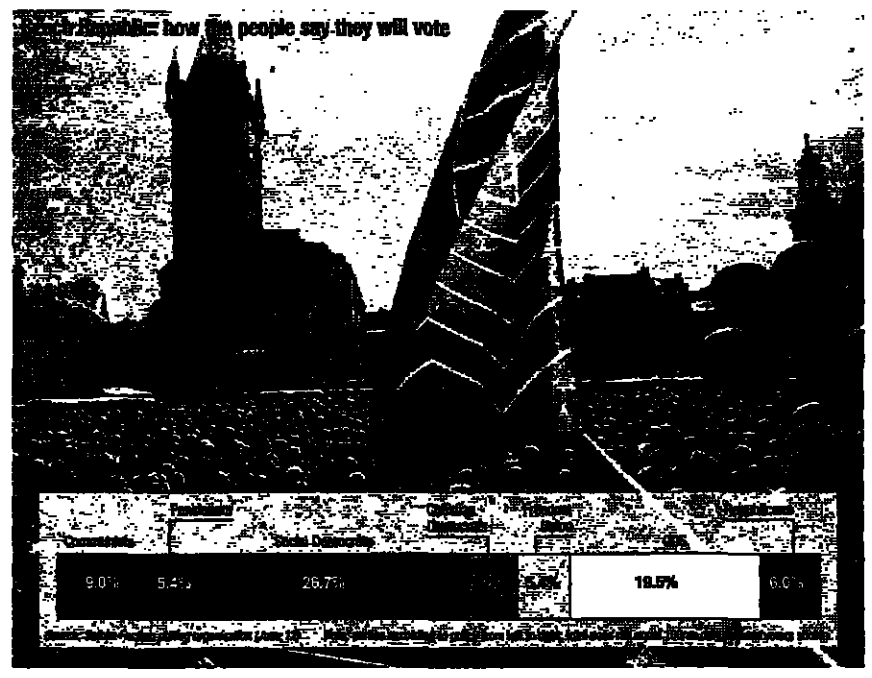
The Acerinox plant, in which Nisshin Steel and Nissho Iwai of Japan are shareholders, is the world's largest fully integrated stainless steel complex, exporting most of its output. It relies on shipments of scrap steel for its raw material.

The company notified the CSN on June 9 it had detected the radioactive isotope Cesium 137 in its filter system. The CSN confirmed this and notified the International Atomic Energy Agency, the European Commission and the French and Portuguese governments last Friday. Mr Kindelán has asked for clarification about whether the company delayed passing on the information, and said tighter controls should be considered on imported supplies, especially from eastern Europe, to avoid further incidents.

So far five employees at the site have been found to have traces of the isotope but, according to authorities, at well below the limits considered tolerable.

# Czechs feel cheated as they prepare to cast their votes

**People across the social divide are angry about corruption and humiliated by the decline in their country's financial reputation, write Stefan Wagstyl and Robert Anderson**




Clutching a red rose in one hand and giving a victory salute with the other, Milos Zeman, the Czech Social Democrat leader, ended a rally this week by singing the 1960s protest song "We shall overcome." About 500 supporters joined him in the grimy industrial city of Ostrava. Fuelled by cut-price beer and accompanied by a long-haired country and western band, they brought a broad smile to the face of the emotional Mr Zeman.

Meanwhile, Vaclav Klaus, head of the rightwing ODS and Mr Zeman's great rival, tried to inspire his supporters with a controversial military-style campaign leaflet. "Mobilisation," it read, "I am calling on all who want to live free... to vote ODS."

At meetings in Prague he played the showman by handing out free videos to supporters who composed ODS slogans. However, the campaign antics cannot disguise the political disillusion of many Czechs, as they go to the polls today and tomorrow in the second general election in two years.

Josef Tosovsky, the caretaker prime minister and former central banker who has ruled for the last six months since the failure of the last party-based government, says: "Citizens have a problem with politicians and politics as such."

On the face of it, this lack of excitement seems strange: the election appears likely to bring the biggest shift in Czech politics since the Velvet Revolution in 1989. If opinion polls are correct, Mr Zeman's Social Democrats have every chance of emerging as the largest party in the multi-party race – and forming the first left of centre government of the 1990s.

Success for Mr Zeman would be humiliation for Mr Klaus, architect of the Czech Republic's economic liberalisation in the early 1990s and prime minister from 1992 until last year's crisis when he was replaced by the caretaker government. Mr Klaus has tried to convince the voters of the enormity of this choice, playing on fears of a return to communism under Mr Zeman and proclaiming himself champion of "freedom and democracy."

Six months out of power has helped Mr Klaus rebuild his image – focusing on big ideals and distancing himself somewhat from his government's tarnished record. His share of the vote in opinion polls has soared from 10 per cent earlier this year to around 20 per cent – not far short of the Social Democrats on nearly 27 per cent.

Mr Klaus has exploited the fact that he is personally more popular than his party – whereas with Mr Zeman the opposite is true. While some voters see Mr Klaus as arrogant, others seem to love his domineering style. Mr Zeman wins points for financial honesty – but is painted by the press as a political loner unable to control his fractious party.

Mr Klaus's message plays well in Prague which has enjoyed the lion's share of the benefits of his rule. Business people, bankers and young professionals are his natural constituency. But outside these circles, Mr Klaus is remembered for broken promises of rising living standards. Older workers with no stake in the new order, pensioners, the sick and the unemployed feel betrayed. These voters are turning to Mr Zeman, who is busy wooing them with pledges of a job-creating spending package.

However, this simple division between right and left is complicated by the dark side of Mr Klaus's record in government. People of all classes are angry about the corruption generated by his over-easy attitude to regulation and the rampant greed of some of his closest supporters. Czechs feel cheated by the loss of public money and humiliated by the decline in their country's financial reputation.

Jiri Chudoba, a 29-year-old physicist who has previously voted ODS but is switching to another rightwing party, says: "There are too many unanswered questions about ODS finances." The proportional representation system makes voters' choices even trickier. No single party of the 13 standing is likely to win a majority. Even if Mr Zeman achieves his ambition of 35 per cent of the vote, he will have to find partners.

He says he can do business with the Pensioners' party on his left and the Christian Democrats on his right. But if this is insufficient he will have to rule as a minority or look further afield. He refuses to consider working with the Communist party, which stands by its traditions, supports state intervention and opposition to Nato membership and wins almost 10 per cent in opinion polls. And Mr Zeman believes co-operation with Communists would horrify too many voters.

However, the only alternative to the Communists would be the right of centre Freedom Union (US). This new party, formed last year by ODS breakaways who could no longer stomach working with Mr Klaus, is the backbone of the present caretaker government. Mr Zeman sorely needs their administrative skills.

Vaclav Havel, the president, favours a broad Social Democrat-US coalition as the best way to bring back stability. Mr Zeman has ruled out such a deal as has Jan Ruml, the US leader. But some senior Social Democrat and US parliamentarians are not so sure.

Faced with these complexities, a stagnant economy and a wet summer, it is little surprise that Czechs are fed up. Even the World Cup provides little distraction as their team is not playing. No wonder that on Wednesday Blesk, the big-selling tabloid daily newspaper, almost ignored the election on its front page. The top stories were the discovery of a mass grave in the Mexican desert and the Ascot fashions.



# Danish tax reform backed by the left

By Hilary Barnes in Copenhagen

The minority Danish government has secured sufficient support from leftwing parties to win parliamentary approval for tax reforms that will result in a significant redistribution of wealth to the less well off.

Cuts in the lowest income tax rates will be financed by home owners, high earners and those who exploit tax-advantaged pension savings programmes.

The government, dominated by the Social Democratic party, concluded a deal on Wednesday with the two leftwing opposition parties in parliament, the Socialist People's party and the ultra-left Unity List.

The administration ensured a majority for its proposals after the two MPs for the Faroe Islands said they would either abstain or support the government. The government had agreed to pay the Faroe Islands about DKr2bn ($294m) to relieve island debts.

It is unusual in post-war Denmark for controversial policy initiatives to be pushed through without some form of prior consultation between government and opposition. One newspaper yesterday described the tax reforms as a "red shock".

That comment was echoed by Anders Fogh Rasmussen, leader of the Liberal party, the largest non-socialist opposition party. "The government has chosen sides," he said. "We have got a red cabinet."

Mr Fogh Rasmussen said the government's alliance with the leftwing and the Faroe Islanders could lead to an early election.

The government, which wants to curb domestic demand, has introduced the tax programme in an attempt to cut gross domestic product growth by 1 point to 2 per cent next year. It also aims to halve the growth in private consumption to about 1.6 per cent.

If the proposals win approval the lowest rate of state income tax would be lowered from 8 to 5.5 per cent, and the top rate would rise from 58 to 59 per cent.

# EBRD set to back Ukraine N-plants

By Leyla Boulton, Environment Correspondent

The European Bank for Reconstruction and Development is set to agree the biggest single loan in its history to secure closure of Chernobyl, site of the world's worst nuclear accident.

Officials said the bank had given preliminary approval to lending Ukraine $190m to help fund completion of two reactors started in the Soviet era.

Ukraine wants western financing for the project, the total cost of which is now estimated at $1.7bn, as its price for closing two reactors still functioning at the Chernobyl plant.

The Group of Seven industrialised nations agreed in 1995 to help fund the project if it proved the most economic way to boost Ukraine's energy supplies in compensation for the loss of power from Chernobyl.

After an independent report commissioned by the EBRD found the project did not meet the bank's least-cost criteria, the G7, which fears further accidents at Chernobyl, put pressure on the bank to conduct a new study. This concluded the project was economic.

But the bank is still concerned about the project's viability and has decided to attach tough conditions to the loan.

Ukraine would first have to agree a new financing deal with the International Monetary Fund and carry out a long-promised restructuring of its energy sector based on market principles. This would include privatising its electricity distribution companies and raising the low level of collection of electricity bills from about 10 per cent at present.

Antony Froggatt, an adviser to Greenpeace, who has followed the issue closely, predicted that on past precedent the Ukrainians would "not meet the [reform] conditions".

The bank would then face a stark choice. The question would be whether it chose to abide by its "own sound banking principles" or bowed to G7 pressure.

## NEWS DIGEST

### GERMAN ECONOMY

## Bundesbank's warning hints at interest rate rise

The Bundesbank yesterday raised the prospect of an interest rate rise as it warned European central banks to keep a close watch on steeply rising share prices and counter them with monetary action if necessary.

It also said the new European Central Bank should not be left with a legacy of potential inflation when the euro was introduced next year. Rita Schumacher, economist at Nikko Europe, said: "The implicit conclusion is that rates will have to rise." This could happen by the end of July, with other countries following.

Last October the German central bank raised its securities repurchase (repo) rate from 3 per cent to 3.3 per cent.

The Bundesbank noted that exports were still rising, capital spending was picking up and consumer demand was more buoyant. But unemployment remained "unacceptably high". **Andrew Fisher, Frankfurt**

### UKRAINE FINANCES

## Situation 'close to critical'

Leonid Kuchma, Ukraine president, yesterday described the country's financial situation as close to critical and announced that he would issue a package of decrees because parliament was too "paralysed" to act.

In a nationally broadcast address, Mr Kuchma said Ukraine's heavy international borrowing was nearing a critical mark, and the crisis could undermine the stability of the national currency, the hryvna.

The president assailed both the previous parliament and the newly elected legislature, which he criticised for infighting.

His attempts at market reform have long been stalled by parliament. The current parliament, elected in late March, is dominated by leftists and the centrist opposition.

The president said he has decided to heed recommendations of his staff and sign a series of "vital" decrees. The decrees, expected to be signed yesterday, would lower the 20 per cent value-added tax, simplify tax procedures for small businesses, introduce a fixed agricultural production tax and allow the government to raise money to address a huge backlog in overdue wages. **AP, Kiev**

### NAZI GOLD

## Bank attacks Bergier report

The Swiss National Bank has attacked the government-backed historical commission that published a highly critical report of the central bank's role as the main outlet for Nazi gold during the second world war.

The SNB, which faces the threat of class actions from US Holocaust survivors, yesterday tried to repair some of the damage done by the recent report of a group of historians led by Professor Jean-François Bergier.

The Bergier report concluded that some of the arguments used by the SNB's wartime managers to justify the gold purchases were not credible.

However, Jean-Pierre Roth, one of the SNB's two vice-presidents, said that the report lacked an in-depth analysis of Switzerland's wartime economic policies. It had failed to explain adequately why the German gold transactions were critical to the maintenance of Switzerland's monetary stability, and had failed to discuss whether the SNB could have followed any other course of action.

Mr Roth accepted the SNB's wartime managers had not "shown enough sensitivity to the moral dimension" of possibly accepting looted Nazi gold.

However, he stressed that the bank had no intention of negotiating an out-of-court settlement of the threatened US class actions. **William Hall, Zurich**

### GREEK DOCKERS STRIKE

## Sell-off plan provokes protest

Dock workers at Piraeus and Thessaloniki, Greece's two biggest commercial ports, yesterday started a six-day strike in protest against the Socialist government's plans to privatise both port authorities next year.

The union claims plans to restructure the port authorities and float a 49 per cent stake on the Athens stock exchange would lead to job losses.

The merchant marine ministry argues that the partial privatisation will increase the number of jobs, because the ports will be able to operate additional shifts under private sector management.

The strike is the latest in a series of walk-outs staged by workers at state-owned banks and utilities included in the government's fast-track privatisation scheme.

Workers at ELTA, the Greek post office, staged a 24-hour strike yesterday to protest against a reform plan under preparation by the government. The postal service is one of four loss-making state enterprises being restructured this year as part of the Socialists' effort to reduce the budget deficit below 3 per cent of gross domestic product, a requirement for joining the European single currency. **Kerin Hope, Athens**

### ESTONIAN ECONOMY

## Move to slow growth

Estonia's government and central bank have agreed to revise economic policy for 1998 as a result of concerns about strong economic growth and the large current account deficit.

The supplementary economic programme, drawn up in co-operation with the International Monetary Fund, will contain measures to restrain demand and reduce the current account deficit by increasing the public sector surplus by half a percentage point to 2.5 per cent of gross domestic product.

Surplus revenues will be channelled into an existing "stabilisation fund" abroad. The government plans to reduce its current expenditures by 1 percentage point, to 32 per cent of GDP, in the course of 1998. While earlier measures to slow the economy and restrain demand had some effect, figures now suggest that the economy will grow 8 per cent this year, compared with earlier targets of 5.4 per cent, according to the central bank. **Matej Vipotnik**

### CONSUMER COMPETITIONS

## Havel and parliament clash

The Czech lower house of parliament yesterday met in special session to overturn the veto of President Vaclav Havel on a bill banning foreign companies from running consumer competitions.

Foreign companies complain that the bill – aimed at stopping casinos run by foreign mafia – prevents foreign companies running promotions and is therefore in violation of international accords such as the Czech Republic's association agreement with the European Union.

Graham Staley, head of Prazske Pivovary, majority owned by Bass of the UK, said: "They were trying to trap the mafia but they have caught genuine customer promotions."

The EU has also warned the Czech parliament about the bill. Klaus Van der Pas, the EU's chief negotiator with the countries applying to join the union, said on a recent visit to the country that the lottery law was not "in conformity with the preparations for EU entry".

The Czech Republic backed down in a conflict with the EU over quotas on apple imports last month after the Union imposed retaliatory measures. **Robert Anderson, Prague**

**BOEING ANNUAL FORECAST** N AMERICAN AIRLINES WILL BUY MORE JETS OVER NEXT 20 YEARS BUT ASIANS WILL BUY MORE LARGE ONES

# Dip in Asian aircraft buying predicted

**By Michael Skapinker, Aerospace Correspondent**

Airlines in Asia will buy 150 fewer aircraft than expected over the next four years but should then return to being among the world's biggest buyers of jets, Boeing of the US said yesterday.

Bruce Dennis, Boeing's vice president for marketing, said the group's planning was based on the assumption that Asian economies would return to healthy growth in the next four or five years and that the region's crisis would not spread to the rest of the world.

"If, for some reason, it starts to drift out of Asia, all bets are off," he said.

Presenting Boeing's annual forecast of aircraft demand, Mr Dennis said North American airlines would buy more aircraft than carriers from any other part of the world over the next 20 years.

This was because US airlines needed to replace an ageing fleet. North American airlines would buy 5,580 aircraft, compared with European carriers which would purchase 4,990. Asia-Pacific airlines would buy 4,760 new jets, Mr Dennis said.

However, Asian airlines would be the biggest buyers in dollar terms, as they would purchase more large aircraft, such as Boeing 747s, than carriers in the US and Europe. Asian carriers would spend $427bn on aircraft during the next 20 years. European airlines would spend $345bn and North American carriers $322bn.

Boeing, the world's biggest aircraft maker, said it disagreed with Airbus Industrie, its European rival, over the level of demand for aircraft with more than 400 seats.

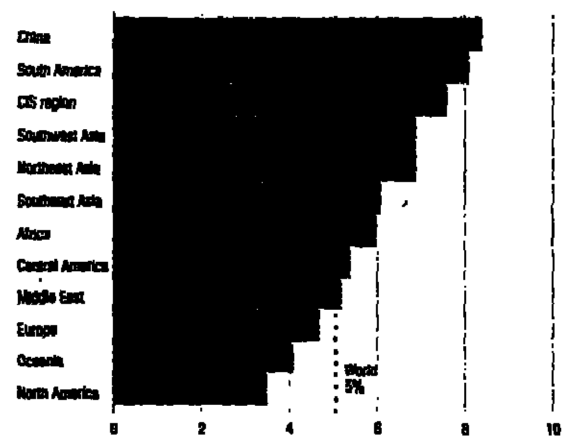
Boeing last year shelved plans to build a 600-seat "super jumbo", saying the demand for such aircraft was too small to justify the development cost. However, Airbus is pressing ahead with plans to build a super jumbo, provisionally called the A3XX.

Mr Dennis said there was no evidence that airlines were using larger aircraft than previously. Carriers were instead taking advantage of the growing liberalisation of the aviation industry worldwide to increase the number of flights, using small and intermediate-sized aircraft.

By 2017, large aircraft with 400 seats or more would account for only 6.5 per cent of the world's fleet, compared with 8 per cent today. Single-aisle aircraft would represent 69 per cent, compared with 73 per cent today. The biggest growth would be in intermediate-sized aircraft, which would account for 24.5 per cent of the worldwide fleet, up from 19 per cent today, he said.

**Air travel growth**

By region (annual percentage growth rate 1998-2007)




Source: Boeing

# Japan comes to Jakarta's aid

**By Peter Montagnon in Tokyo**

Japan is pressing ahead with its $1bn trade credit facility for Indonesia without waiting for the country to reach a new agreement with the International Monetary Fund, according to a senior official of the Export-Import Bank.

Takuma Hatano, head of the bank's Asian loan department, said the decision was taken because Indonesia's situation was worsening daily, with capacity use in industry down to 20-30 per cent. The loan was signed yesterday in Jakarta, he said, with funds available over the next few days.

"The IMF mission is basically on track and the government has already announced that it will accept and implement the IMF programmes," he said.

The loan will be used to settle letters of credit issued by local Indonesian banks to finance imports of raw materials and components needed by Indonesian exporters. Trade finance provision has halted since Indonesia's crisis hit, making it virtually impossible for exporters to benefit from the rupiah's steep decline.

A condition of the loan is that exporters who benefit from the finance must remit the profits from their transactions back to Indonesia and not hold them offshore in financial centres such as Singapore, Mr Hatano said. The bank is anxious that its funds are not used to finance further capital flight.

Though Japan has been waiting for a new IMF agreement to implement most of its bilateral aid to Indonesia, it has been anxious to press ahead with the trade credit facility, partly because of the country's importance as a source of energy supplies. Liquefied natural gas from Indonesia accounts for 40 per cent of Japanese gas imports.

Separately, aid officials said the passage through the Diet this week of Japan's supplementary budget would release an additional Y30bn ($214m) in development assistance funds, much of which would be channelled to Indonesia in the form of food assistance.

With total loans outstanding of Y700bn, Indonesia is the largest borrower from Japan's Eximbank after China, Mr Hatano said. But it was not clear how far the bank would be able to provide fresh long-term loans to finance investment projects. It was willing to do so, but the chances were that the Indonesian government would have to cut investment spending and concentrate its resources on food and energy distribution.

# Buoyant year for global films

But money is becoming tighter in Asia and Hollywood, reports **Alice Rawsthorn**

The global film industry enjoyed a buoyant year in 1997, when steep increases in production budgets in Europe and North America fuelled a 12 per cent increase in overall investment to $14.97bn, from $13.36bn in 1996.

However, film makers may face tougher conditions this year, according to a study in the latest issue of Screen Finance, the film industry newsletter*.

Asia's movie producers have found it difficult to secure capital for new projects since last autumn's stock market collapse. Several Hollywood studios have either scrapped expensive blockbusters this spring, or pruned budgets.

Cost concerns had a tangible impact on the Hollywood studios and the rest of the North American film industry last year.

There were only 676 US film productions in 1997, against 715 in 1996; but total investment rose to $9.82bn from $8.79bn in the same period, as the budgets of individual pictures increased sharply.

Soaring fees for superstars and elaborate visual effects are the chief catalysts for spiralling production costs. Yet the US studios have also allowed marketing expenditure to escalate. The average cost of releasing a Hollywood film is now $75.6m, five times more than 15 years ago.

**Film production investment**

| $ | 1996 | 1997 |
|---|---|---|
| Europe | 2.88 bn | 3.25 bn |
| North America | 8.82 bn | 10.01 bn |
| South America | 152 m | 129 m |
| Asia | 1.32 bn | 1.45 bn |
| Others | 86 m | 120 m |
| Total | 13.36 bn | 14.97 bn |

Source: Screen Digest

The once-dormant European film business has returned to growth. The number of films made in the European Union totalled 666 last year, from 645 in 1996, with production investment rising to $3.23bn from $2.82bn.

However, European production budgets are still significantly lower than those in the US.

The average US movie cost $14.53m to make last year, against $9.48m for the UK, Germany's $5.68m and France's $5.53m.

One of the most buoyant European markets in 1997 was France, where feature production reached its highest level since 1982. The UK also experienced a continued increase in the number of films shot, and overall investment.

European business is growing: Kate Winslet in Hideous Kinky

Activity declined in Germany, where 61 films were made in 1997, against 64 in 1996.

The Asian film industry emerged relatively unscathed from the region's economic instability last year, largely because most of the year's productions were already completed, or financed, before autumn's stock market crisis.

Total investment in Asian production rose to $1.45bn last year, 10 per cent higher than 1996's $1.32bn.

However, the Screen Finance report detected lower investment in Hong Kong, Malaysia and China during 1997, and conditions have worsened across Asia this year.

South America's film industry is still small by international standards, but is now expanding after a series of local box office hits and increased state support. Production activity rose in Venezuela, Argentina and Mexico during 1997, but fell in Brazil.

Despite the Asian downturn and Hollywood's budget-pruning, the long term outlook for the global film industry is still positive. The construction of new multiplexes should sustain the recent increases in admissions, particularly in Europe, and the market for broadcast film rights will continue to grow as hundreds of new television channels come on air.

*Screen Digest, 37 Gower Street, London WC1E 6HH; Tel: 0171 580 2842; available for £75 per issue.*

# US seeks wider Chinese access

**By James Kynge in Beijing**

The US is to concentrate on gaining greater access to China's vast marketplace at a landmark summit meeting this month, rather than actively seeking the large but one-off procurement deals that have characterised such events in the past.

Large deals to buy items such as Boeing aircraft have in the past been held up as the fruits of US constructive engagement. But recent controversy surrounding the alleged transfer of missile guidance technology to China by Loral, a US company, has made the White House sensitive over its commercial relationship with Beijing, US officials and company executives said.

In addition, the officials said, it was felt in the US that the headline-grabbing deals of past visits allowed the Chinese to soft-pedal on substantive market opening measures. Significant procurement deals may be announced during the summit, but President Bill Clinton is not expected to make these a focus.

The summit, which runs from June 25 to July 3, will focus instead on working toward criteria for market entry, so that the award of licences becomes less of a political issue. Currently, many types of business licence are awarded on a case-by-case basis after a range of political, commercial and other considerations have been assessed.

Charlene Barshefsky, US trade representative, is expected to arrive in Beijing today for final talks before Mr Clinton arrives. She is expected to discuss market liberalisation under China's negotiations to enter the World Trade Organisation.

Ms Barshefsky will try to get China to improve its Information Technology Agreement offer which seeks to eliminate import duties on more than 400 information technology products. Beijing has proposed phase-in times for tariff abolition on some products which the US sees as too long.

Separately, US officials are expected to push in negotiations around the summit for better trading rights in China, specifically the reduction of requirements that US companies must import and sell their products in China through local agents.

The US plans to offer co-operation in establishing improved and standardised systems for airports, air traffic control and other aviation equipment, thereby creating a future market for US products. It hopes to engage China in discussions of security and verification in internet commerce.

# Holbrooke named as UN envoy

By Stephen Fidler and Mark Suzman in Washington

President Bill Clinton yesterday announced he was moving his ambassador to the United Nations to the job of energy secretary and said the UN position would be filled by Richard Holbrooke, the veteran diplomat.

Bill Richardson takes over at the Department of Energy as the only Hispanic American in the Clinton cabinet from another Hispanic, Federico Peña, who is stepping down in July.

Mr Holbrooke is best known for his role in resolving the conflict in Bosnia, but has widespread experience in other parts of the world.

Mr Richardson, a former congressman, had been praised for such activities as trying to ensure a probe into allegations of Rwandan refugee abuse and for seeking to implement a comprehensive weapons inspection regime in Iraq.

However, his relationship with Madeleine Albright, US secretary of state and his predecessor at the UN, is said to have been tense. He is also known to be interested in returning to domestic politics, perhaps as a candidate for governor of his native New Mexico in the 2000 elections, or even as a vice-presidential candidate for the Democrats.

In announcing the appointments, which require Senate confirmation, Mr Clinton said Mr Holbrooke was "already a familiar face around the globe", and praised his efforts to secure peace in the Balkans and as a special envoy for the US in Cyprus. He also cited Mr Holbrooke's experience in Asia as assistant secretary of state, "where he has continued to be actively involved and which is very important today".

Mr Holbrooke will take over at the UN at a critical juncture. Nuclear tests by India and Pakistan, possible confrontation with Iraq, increased tensions between Greece and Turkey over Cyprus, and a collapsing Middle East peace process are all likely to occupy his attention.

He is also likely to have to cope with the ethnic conflict in Kosovo, which threatens to spread to other parts of the Balkans, where he has been criticised for encouraging a temporary shift in US policy which exacerbated conflict in the region. Mr Holbrooke also pledged yesterday to work wth Congress to unlock $1bn in US arrears to the UN.

Richard Holbrooke: new challenge after notable career as a special envoy AP

# Fresh blow for Brazil spending reforms

By Jonathan Wheatley in Brasília

Brazilian congressmen have dealt another serious blow to the government's efforts to trim the country's growing budget deficit by voting to remove one of the main cost-cutting elements of a bill designed to overhaul the state pension system.

In a vote late on Wednesday, government supporters failed by two votes to defeat an opposition amendment removing from the bill a measure to restrict civil servants' rights to retire on full pay.

The government's proposal would have reduced by up to 30 per cent the pensions of public employees earning more than R$1,200 (US$1,040) a month.

This follows the opposition's success last month in removing from the bill a clause setting minimum retirement ages of 60 for men and 55 for women.

Brazilians currently retire according to length of service, but loopholes in regulations allow many public servants to retire on more than full pay while still in their 40s.

Pension reform is a central element in government attempts to cut public spending and tackle a fiscal deficit of about 6.5 per cent of gross domestic product. But the bill now falls far short of providing the large-scale reform the government had hoped for.

Wednesday's vote all but rules out any chance the reform will be implemented before next year. Congress approved the bill earlier this month after three years of deliberation, but procedure allowed the opposition to put forward supplementary amendments.

Three remain to be voted on, after which the modified bill must return to a special committee and then for a full vote in Congress.

Ministers say they will present new proposals for reform of the country's pension system next year if Fernando Henrique Cardoso, president, is re-elected.

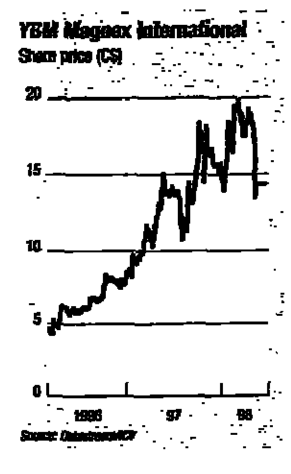


# A controversial magnet for small Canadian investors

**Despite being alerted to doubts about YBM claims, the Ontario Securities Commission approved a C$53m share issue, writes Edward Alden**

For Canadian investors who pumped the stock of the once-obscure, now suspended, magnet maker YBM Magnex International this year, the wait will be agonising.

From early 1996 to early this year the stock rose from less than C$5 (US$3.40) to more than C$20, giving the company a market value of close to C$1bn (US$680m). Now, Deloitte & Touche, the auditors, expect to spend about two months scrutinising an 83-page report and boxes full of appendices on the company's operations. Their conclusions will largely determine whether YBM is reinstated or permanently barred from the Toronto Stock Exchange.




About 45 per cent of the shares, heavily promoted by major Toronto brokerage houses, are in the hands of small Canadian investors through mutual funds.

The list of questions about YBM may take months to answer but investors are wondering why concerns about the company's business did not cause Ontario securities regulators, already burned by the spectacular collapse of Bre-X Minerals last year, to act much earlier.

YBM rocketed from obscurity as a junior shell company on the Alberta Stock Exchange to a listing on the TSE's blue-chip 300 index in less than three years. It said it had tapped into a booming market for permanent magnets in eastern Europe and the Ukraine.

But last month the Ontario Securities Commission (OSC) suspended trading in the company, the same day the US Federal Bureau of Investigation seized documents from YBM's Pennsylvania headquarters as part of a criminal investigation. One large shareholder, Semion Mogilevitch, a Ukrainian-born financier, was barred from the UK after a police investigation into alleged money laundering. The OSC has scheduled hearings to start on August 10.

In its prospectus for a 1997 Toronto exchange issue of 3.2m common shares worth C$53m, YBM said it was selling high energy neodymium magnets throughout North America, Europe, the Middle East and Asia. Permanent magnets are used primarily in the car and computer industries.

OSC regulators, as part of a due diligence investigation, examined these statements last autumn, according to sources familiar with the investigation. What they were told was that virtually all the company's sales were to distributors in eastern Europe, a market no other magnet manufacturer had tapped.

Deloitte & Touche, which re-audited YBM's 1996 financial statements at the request of securities regulators, found YBM's claims to have made 14 per cent of its sales in North America and 4 per cent in the Middle East were false. Some 98 per cent of its 1996 sales were in Europe, about 80 per cent of that in eastern Europe.

Ontario regulators were warned by industry experts that the company's assertion it had earned US$20m in 1996 from using neodymium powder to remove sulphur from Ukrainian crude oil could not be substantiated. While some rare earth materials have a small application in oil refining, no commercial use of neodymium to desulphurise oil has ever been developed, say experts in rare earth materials applications.

The experts include Fred Jones, a 35-year consultant to the permanent magnet industry; John Creighton, development specialist with Grace-Davidson, a large US commercial supplier of rare earth materials to the oil industry; Tom Halford, director of process and technology for Petro-Canada's refining division; John Giesman, gas project manager for Universal Oil Products, the world's largest seller of licensed technology to oil refineries; and Barry Kilborn, formerly of the rare earth producer Molycorp, who is regarded as the world's foremost expert on uses for rare earth materials.

Despite being alerted to doubts about YBM's claims, the Ontario Securities Commission approved the C$53m share issue. One reason the OSC may have been reassured is that YBM was backed by many of Toronto's most prestigious brokerage houses.

The five underwriters for the 1997 share offering had agreed to purchase all 3.2m shares. Subsequently First Marathon Securities, the lead underwriter, issued strong buy recommendations until the stock ceased trading in April, as did Griffiths, McBurney and Canaccord Capital, two of the other underwriters.

Owen Mitchell, a vice-president at First Marathon, sits on YBM's board of directors along with David Peterson, a former Ontario premier.

The company says all outstanding questions about its business are answered in the 83-page independent forensic investigation requested by Deloitte & Touche and commissioned by YBM. According to a summary released by YBM last week, the investigation by Pinkerton Investigation Services found no evidence of criminal activities by the company and no evidence of bogus transactions.

That report has yet to be approved by Deloitte & Touche, which has refused to validate the company's 1997 financial statements.

# Clinton vows he will fight on over tobacco

By Mark Suzman in Washington and Richard Tomkins in New York

President Bill Clinton vowed yesterday to keep fighting for comprehensive US tobacco legislation despite the defeat of a tough anti-smoking bill in the Senate on Wednesday night.

"It's dead today, it may not be dead tomorrow, and it's not dead in the long run because the public health need is too great," he said. "I've never quit on anything this important in my life; I don't intend to stop now."

The bill, defeated by Republican opponents after a month-long debate on the Senate floor, would have raised the price of cigarettes by at least $1.10 a pack in an effort to curb youth smoking. The extra taxes would have yielded at least $516bn over the next 25 years.

The defeat is a serious blow for Mr Clinton's political agenda. After months of vacillation, the White House had become closely involved in negotiations over the legislation and hoped to use the tax revenues to fund a wide range of public programmes.

In a move seen as an attempt to head off criticism on the tobacco issue ahead of November's congressional elections, Newt Gingrich, House speaker, indicated that Republicans would still consider trying to pass narrower legislation to help limit teenage smoking.

"It's our intent to pass effective legislation that is narrowly focused on anti-teen smoking, anti-drug efforts," he said. "Our goal is to reduce teen smoking, not increase taxes."

Democrats said they would try to resurrect the original proposal by offering it as an amendment to other legislation pending on the Senate floor. "We will not let this issue die," Tom Daschle, Senate minority leader, said.

**Republicans may still consider trying narrower legislation to help limit teenage smoking**

Mr Clinton also indicated that senators from both parties were working on a possible compromise measure that could be introduced before the end of the current congressional session.

Tobacco stocks opened sharply higher on the New York Stock Exchange but lost some early gains as the market reacted to the possibility of further attempts to legislate against the industry.

Investors were also disappointed that the opportunity had been lost to broker a legislative compromise giving the tobacco industry some protection from the billions of dollars' worth of lawsuits pending against it.

At midday, Philip Morris's shares were up $1⅞ at $40$\frac{1}{16}$, far short of the $48¼ they reached when hopes of a legislative compromise were high. RJR Nabisco's were up $⅞ at $24$\frac{13}{16}$. In London, shares in BAT Industries closed 9p up at 580p.

The bill's defeat comes a year after the tobacco industry signed a historic accord with anti-tobacco lawyers, agreeing to pay out $368.5bn over 25 years in return for immunity from big lawsuits.

The accord needed Congress's approval before it came into effect, but the Senate toughened the anti-tobacco provisions and removed the legal immunities the tobacco industry had sought, prompting tobacco companies to campaign against it.

If no other legislation replaces the Senate bill, tobacco companies will benefit because US cigarette taxes will remain low. But a much more serious problem facing the US tobacco industry is the mounting wave of potentially ruinous legislation. The industry has already agreed to pay out $35bn over 25 years to four states that brought lawsuits against it.

# Go-ahead for Cuban airline flights over US territory

By Pascal Fletcher in Havana

The US government, which recently authorised the resumption of direct passenger charter flights between the US and Cuba, is also lifting a ban on Cuban commercial airline flights over US territory.

The decision drew an angry reaction from one Cuban-American congressman, who was briefed on the move by US State Department officials.

Representative Bob Menéndez, a New Jersey Democrat and one of a small group of Cuban-American members of Congress which opposes any easing of US sanctions against communist-ruled Cuba, said the authorisation of Cuban airline overflights would save Havana millions of dollars. The US denial of overflight rights has meant Cuban aircraft flying to Canada have had to make expensive detours. In contrast, Cuba has been allowing overflights by US carriers travelling to Latin America.

Cuba had protested to the International Civil Aviation Organisation about the US ban. Under international rules, no country can deny another overflight rights except on national security grounds. A recent Pentagon report said Cuba posed no military threat to the US.

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# US seeks to mend fences with Tehran

By Robert Corzine in London and Robin Allen in Dubai

President Bill Clinton yesterday held out the prospect of a "genuine reconciliation" between the US and Iran, in the strongest sign so far that Washington is seriously seeking a rapprochement with Tehran.

Mr Clinton said Iran "is changing in a positive way and we want to support that. We are exploring what the future will hold".

His comments came one day after Madeleine Albright, secretary of state, suggested the two countries explore ways of dismantling "the wall of mistrust" built up since 1979, when US diplomats were taken hostage following Iran's Islamic Revolution.

She called for a series of confidence-building measures and held out the prospect of "a road-map leading to normal relations".

But Iran yesterday said Washington's overtures fell short of the visible changes in "hostile" US policies that it was seeking.

Kamal Kharrazi, foreign minister, said Mrs Albright's comments showed "Americans are coming to some new understandings". But he warned that "new words" were not enough: "I believe words have to be followed by deeds".

In a speech on Wednesday, Mrs Albright said the US was "ready to explore further ways to build mutual confidence". She also offered the "prospect of a very different relationship" between the US and Iran.

But both she and Mr Clinton again accused Tehran of supporting terrorism. The US also charges Iran with trying to develop long-range missiles and nuclear weapons, and is critical of its human rights record.

The softer US diplomatic tone towards Tehran did not, however, extend to unilateral US sanctions against the country. These will stay in place, Mrs Albright said, and the US remained opposed to the idea of oil export pipelines from the Caspian Sea region running through Iran to the Gulf.

But US officials yesterday said there would be rewards and incentives for Iran if it began to address Washington's concerns. "We're prepared to offer [incentives] to Iran," said an official, who however, warned that the road towards full reconciliation could prove "slow and uneven", although some progress might be quick.

The flurry of diplomatic overtures comes just two days before the US and Iran meet in a World Cup football match in Lyons. Rumours have swept through Tehran that supporters of the outlawed Mujaheedin-e-Khalq terrorist group plan to demonstrate during the match.

# Trade differences that came between Ethiopia and Eritrea

**Michela Wrong** looks at the 'economic war' and the new Eritrean currency that drove the two countries apart

Ports in a storm: unloading grain in the Eritrean port of Massawa    Martin Adler, Panos

Border demarcation", "territorial claims", "demilitarisation": the terms crop up repeatedly in a US-Rwandan proposal aimed at brokering peace between Eritrea and Ethiopia. Nowhere mentioned is the word "trade".

Yet the issue goes to the heart of the war and, if Ethiopia shows little willingness to tackle it, Eritreans believe that left untouched the problem risks scuppering any eventual peace deal.

"We have to have a comprehensive settlement that tackles all the trade issues," says Mohamed Hagos, a detergent maker in Asmara. "Otherwise there will keep being new flare-ups."

Underlying the souring of the countries' friendship are commercial differences that precede even the launch of Eritrea's own currency, the nacfa, often cited as a turning point in relations. "Long before this war started, Ethiopia was waging economic war on Eritrea," says an Eritrean businessman. "It's been going on for two or three years."

At Eritrean independence in 1993, both countries hoped to build on trading relationships established when they constituted one nation. Ethiopia needed Eritrea's shoes, textiles and its Red Sea salt. Eritrea wanted Ethiopia's coffee, livestock and grains.

Protocols were signed committing each government to a free trading zone. Now landlocked, Ethiopia was to have duty-free access to Assab and Massawa ports. Both countries talked of integrating their economies and eventually joining a Horn of Africa common market.

But the good intentions swiftly broke down.

Ethiopian merchants complained about slow processing at the two ports and charges that made a mockery of the protocol agreements. Eritrean traders had crippling levels of duty slapped on their goods. By the time their products arrived in the Ethiopian capital, they had become more expensive than alternatives from Yemen, Indian and the Middle East.

The 1997 launch of the nacfa proved the last straw.

As the two economies took separate routes – more cautious Ethiopia focusing on import-substitution and retaining currency control, an export-oriented Eritrea opting for a free-floating currency – it was clear they could not both keep using the Ethiopian birr.

Two options were studied. The first allowed for both nacfa and birr to trade freely across the border, with the two central banks at intervals settling any surpluses in hard currency. The second provided for trade to be done in hard currency, as with any other sovereign nation, obliging merchants to take out letters of credit with banks in the neighbouring country.

Eritrea assumed its neighbour would go for the first option. Instead, after seven months of silence, Ethiopia chose the second.

"We said 'You're crazy, you're shooting yourselves in the foot. There are no banks at the border, trucks will spend hours waiting to be checked, it will destroy the small trader'," recalls Tekie Beyene, Eritrea's central bank governor. "But they wouldn't budge."

Ethiopian officials argue that Eritrea's preferred option was too complicated to be workable, involving as it did shifting birr/nacfa, birr/dollar and nacfa/dollar exchange rates.

With both countries desperate for hard currency, the system was also open to abuse through manipulation of the currency exchange rates as books were balanced. Already, Ethiopian businessmen were accusing Eritrean traders of robbing the country of hard currency by systematically buying up Ethiopian coffee and re-exporting it.

"If you want to use both the nacfa and birr – basically have a currency union – you first have to harmonise fiscal and monetary policies. You cannot have one without the other," says a government adviser.

Once the nacfa was introduced, doomsday predictions proved accurate. "From one day to another, cross-border trade stopped," remembers Sirak Kefle, Eritrea's Chamber of Commerce president.

Trucks spent weeks waiting at the border for customs checks. According to Mr Sirak Kefle, Eritrean traders found the letter of credit system off-puttingly cumbersome. The few who tried it found the government intervening to fix commodity prices at levels far above the market level.

Rubbish, say Ethiopian officials. "As I understand it, the government simply did not allow Eritrean traders to open letters of credit with Ethiopian banks. It was done out of pique," insists one.

The mutual recriminations go further. In the vaults of Asmara's central bank are birr notes redeemed when the nacfa was launched. The governor accuses Ethiopia of trying to pull a fast one by failing to acknowledge the liability. Ethiopia's government denies this, saying that liabilities exist on both sides and details must be worked out.

For Eritreans, the series of squabbles indicate a broader political agenda, borne out by the blockade Addis Ababa subsequently slapped on shipping and air links to Asmara and the order to Ethiopian importers to shift their business from Assab to Djibouti.

"The Ethiopians want to punish us for daring to go it alone," says Seife Berhe, head of a minerals company. "The mentality is 'If we can weaken Eritrea economically then we can destabilise the government and make it come to terms over Assab and access to the sea'."

Ethiopians believe Eritrea's gripes are the spoilt behaviour of a country that loudly claims independence while rejecting its painful consequences. "They want to have their cake and eat it," says an economist. "They want to behave as an independent country while enjoying the same privileges as any other region of Ethiopia."

With 66 per cent of foreign trade going to Ethiopia, compared to around 10 per cent of Ethiopian exports destined for Eritrea, Asmara is far more vulnerable to a trade freeze than Addis Ababa.

But Ethiopia is also hurting, with development of Tigray, the impoverished northern province from which the leadership hails, in jeopardy and an overloaded Djibouti port, the only route now for fuel imports, glutted to the point where shortages loom.

"If you look at our geography it's obvious both of us are destined to work together," says Mr Seife Berhe. "The quicker we find a modus vivendi the better."

# Netanyahu defies Palestinians with plans for Greater Jerusalem

By Judy Dempsey in Jerusalem

Benjamin Netanyahu, Israeli prime minister, yesterday unveiled ambitious plans to strengthen Israel's hold on Jerusalem and tighten links between the city and Jewish settlements.

The move, condemned by Palestinians, signals increasing confidence by Mr Netanyahu and Ehud Olmert, mayor of Jerusalem, that the government can build anywhere in the city even though Israel's annexation of east Jerusalem is not recognised by the international community.

"We said we would work to strengthen, fortify and base our hold and sovereignty in Jerusalem," he said. "I think this is a basic change in Jerusalem's status which will be remembered as a turning point."

Under the Oslo peace accord, the future status of Jerusalem is supposed to be left until final settlement talks.

"Once again, Israel wants to demonstrate it can defy the world," said Hanan Ashrawi, Palestinian higher education minister.

The plan comes days after Jewish settlers moved into Jerusalem's Moslem quarter while police demolished Palestinian homes in the east.

A senior US official said Washington was exasperated and critical of such actions at a time when it was trying to persuade Mr Netanyahu to implement a delayed second Israeli troop withdrawal from the West Bank.

Mr Netanyahu's plan maps out the future demographic and geographic size of the city, creating a "Greater Jerusalem".

A ring road around east Jerusalem and a tunnel road will be drilled to link Jerusalem with Ma'ale Adumin, the most populous Jewish settlement in the West Bank. Small local councils west of the city will also be brought under an enlarged Jerusalem municipality, although they intend to oppose such plans.

The government will also provide financial incentives to attract skilled and educated labour to the city. Mr Olmert said that some 140,000 homes would be built by 2020.

A report published earlier this year by the independent Foundation for Middle East Peace said Mr Netahyahu's plan, known as the E-1, is the first to tie a West Bank settlement directly to the municipality of Jerusalem. It said it would disrupt the only prospective Palestinian passage for linking Arab east Jerusalem to the Palestinian territories of the northern and southern West Bank.

The E-I plan was originally discussed by the cabinet in March 1997. But Saeb Erekat, a Palestinian peace negotiator, said he received assurances from Mr Netanyahu it would not go ahead.

**EMPLOYMENT** RATE FOR YOUNG WORKERS LOWERED BECAUSE OF FEARS FOR JOBLESS TOTAL

# Muted approval for minimum wage plan

**By Robert Taylor, Employment Editor and David Wighton, Political Correspondent**

Proposals for a national minimum wage received muted approval yesterday as it emerged that a decision to lower the rate for young workers was taken because ministers feared a higher rate would increase unemployment.

The Low Pay Commission report recommended an adult rate for the over 20 year olds of £3.60 ($5.90) an hour from next April, rising to £3.70 an hour in June 2000. Young workers aged 16 to 17 are not to be covered by a minimum wage, while 18 to 20 year olds would receive £3.20 an hour next April and £3.30 an hour from June 2000.

Instead, the government has decided that the adult rate should be £3.60 an hour from next April but with no commitment to any uprating to £3.70 in 2000. It also agreed the youth rate would be £3.00 an hour rising to £3.20 in June 2000.

Tony Blair, the prime minister, in a letter to George Bain, chairman of the commission, said the government had decided to "minimise the risk that the recommended £3.20 an hour development rate for younger workers could result in job losses at this critical point in the economic cycle".

His apparent admission that the UK economy is moving into trouble suggests the well-leaked worry of Gordon Brown, the chancellor of the exchequer, that the proposed youth rate would undermine the government's welfare-to-work programme for the young jobless was not the only reason for the government's decision to water down the commission's "prudent" proposals.

Mr Blair says in his letter to Mr Bain it "would be prudent to phase the youth rate in two stages, with an initial transitional rate of £3.00 an hour introduced from April 1999 and an increase to £3.20 an hour in June 2000".

The Trades Union Congress gave a cautious welcome to the Low Pay Commission report but regretted the government's decision to dilute its key recommendations.

Adair Turner, the Confederation of British Industry's director-general, said that while the £3.60 an hour figure was "at the top end of what is acceptable to business, overall it should not place too much pressure on inflation or less to major job losses.

But it will inevitably have a significant effect on some industries and some regions".

"The level allows for a reasonable and workable way forward," he added.

See Lex

# A year of change for 'weird' opposition leader

William Hague today celebrates a year as head of the Conservative party. **George Parker** looks at his popularity and impact

William Hague celebrates his first anniversary as leader of the opposition Conservative party today, if "celebrate" is the right word. His party languishes at only 26 per cent in the polls and voters tend to think of him as an irrelevant young fogey.

Few in parliament, including those inside the party, expect the Conservatives to win the next general election. Recent headlines confirm that a number of malcontents would like to get rid of Mr Hague before then.

If any of this worries the former McKinsey management consultant, he does not show it. Even his harshest critics admit he is one of the most unflappable politicians they have encountered.

This used to be put down to his passion for transcendental meditation. But recently he has swapped quiet contemplation for judo – and according to his instructors he is rather good. He is starting to get tough.

The steely edge of the 37-year-old was illustrated this month, with a shadow cabinet reshuffle which began the process of clearing out the political dead wood of the former administration.

He is slowly remaking the party in his own image: technocratic, liberal on social issues and largely unideological.

Not that the public could care. For them, the Conservatives represent an unpleasant memory of weak government, sleaze and division.

"The new government was elected on a tide of goodwill," said one of Mr Hague's closest allies. "For the last year nobody wanted to hear from us, but that will change as things start to go wrong for Tony Blair [the Labour prime minister]."

Mr Hague devoted his first year to transforming the party organisation. Members were given a direct voice in choosing the leader and candidates.

Central Office, an often powerless monolith at the heart of the party, was given new authority. A central list of party members was established, allowing troublemakers to be expelled.

Meanwhile, Mr Hague quickly set about addressing the party's most divisive issue – Europe. His decision to oppose UK membership of the euro in the next parliament aroused fury on the left but was welcomed by most of his party.

Most Conservative MPs believe Mr Hague has made a reasonably good fist of an appalling hand. Internal squabbles have subsided and not since Winston Churchill has the party had a leader so accomplished as a speaker.

But there is a perception gap between how he is viewed by MPs and journalists and how he is seen in the country.

Private Central Office polling shows ordinary voters believe him to be "posh" and weird – he is remembered for speaking to the party conference, aged 16, about "rolling back the frontiers of the state". He is thought to have gone to an expensive school – he actually went to a state school in his native northern England – and his flat northern vowels are bizarrely confused with a bland southern drawl. The voters do not know him.

Mr Hague claims not to mind.

His advisers reassure themselves that Margaret Thatcher's poll ratings were appalling in opposition.

Mr Hague must hope that he will follow Baroness Thatcher rather than former Labour leader Neil Kinnock. He transformed a dishevelled party, instituted sweeping reforms but ultimately failed to win the prize.


# Circus show to make millennium party swing

Abigail Yeates (*left*) yesterday performed at the launch of a plan to train young people for a circus show at the year 2000 celebrations in the millennium dome in south-east London, **Brian Groom writes.**

New Millennium Experience, which is organising the celebrations, yesterday said it would recruit 100 people, without previous experience, to train as acrobats and trapeze artists.

Sponsorship for the dome stands at nearly £100m ($164m) – two-thirds of its target – one year after the Labour cabinet took its controversial decision to go ahead with the scheme, Peter Mandelson, the government minister in charge of the project, said yesterday.

He contrasted the ambition of Britain's plans with those of France, where the Eiffel tower will lay a giant egg on millennium eve, the Vatican, which faces problems fitting visitors into the city state, Germany, which is planning a trade fair, and the US, whose plans are some way behind.

"Other countries will be kicking themselves that they did not have the imagination to go ahead as we did," he said.

**Picture: Malcolm Watson**

## NEWS DIGEST

### THE ECONOMY

## Fears for interest rates as retail spending surges

The pound rose briefly above DM3 in late trading yesterday, as an unexpectedly sharp jump in retail spending reinforced expectations that the Bank of England, the UK central bank, might soon raise interest rates again. Retail sales volumes rose by a seasonally-adjusted 1.7 per cent in May, more than twice the expected increase, according to the Office for National Statistics. The volume of sales was 4.6 per cent up on May last year. Statisticians said the jump was explained in large part by clothing and footwear sales, which rebounded as the weather improved. Clothing and footwear sales leapt 8.7 per cent, more than reversing the declines recorded in the three preceding months. "The numbers are going to be interpreted quite badly in the short run," said David Coleman, at CIBC World Markets.

"It really does look as if the prospects for a rise in rates in July are now exceptionally good."

Short sterling futures contracts fell again, implying base rates of between 7.75 and 8 per cent at the end of the year. Earlier this month the Bank's monetary policy committee raised them from 7.25 to 7.5 per cent. The prospect of higher interest rates helped push sterling upwards. In formal London trading it closed at DM2.9959, but crept above DM3 shortly afterwards. Against a trade-weighted basket of currencies it rose from 105.8 per cent of its 1990 value to 106.7 per cent.

Giving evidence to the House of Commons Treasury committee, Eddie George, the Bank's governor, conceded its monetary policy committee might have been wrong to delay the base rate rise which was finally agreed this month. "I am not saying I think I have made a mistake or that the committee has made a mistake. I was acknowledging the possibility that we may have done because this is a very judgmental area," he said. **Robert Chote, London**

### AIR TRAFFIC CONTROL

## Safety inquiry launched

The government is to set up an inquiry into the safety of UK air traffic control, just days after announcing plans to privatise the system. Gavin Strang, transport minister, is sending in a team to investigate serious computer problems at the new £339m ($556m) control centre at Swanwick, in southern England, which was due to open last year but will not now open until 2000 at the earliest. He also wants to prove that the delayed opening of Swanwick will not place an excessive strain on the existing control centre on the outskirts of London with a possible risk to air safety. The safety review will cast a shadow over the government's plans to sell at least 51 per cent of its stake in National Air Traffic Services, announced last week by Gordon Brown, chancellor of the exchequer. Mr Strang announced the safety audit in a letter to the House of Commons transport committee, obtained by the Financial Times, and expected to be published next week. **Michael Skapinker, London**

### DEFENCE

## Number of warheads to be cut

Britain is expected to cut the number of nuclear warheads carried on Trident submarines as a unilateral arms control measure in the government's strategic defence review. Officials said yesterday no decision had been taken because the cabinet has not yet officially considered the Ministry of Defence's proposals for the review, expected to be published next month. But they said the MoD had been assessing the minimum number of warheads that the UK could hold while maintaining a credible independent nuclear deterrent. It is believed to have about 200. **Alexander Nicoll, London**

### SCOTTISH NATIONAL PARTY

## Blair offers access to briefings

Tony Blair, the prime minister, has agreed to give the Scottish National party access to civil service briefings in the run up to elections for the new Scottish parliament. The SNP yesterday welcomed the offer but complained that access would not be granted until the bill to establish the parliament became law. This is unlikely to happen before October. Alex Salmond, SNP leader, said his party should have immediate access. Labour had access to civil service briefings 16 months before last year's general election.

The SNP is nine points ahead of Labour in the battle for control of the Scottish parliament, according to the latest opinion poll. By convention the prime minister can authorise meetings between opposition parties and civil servants in the run up to a general election. Discussions, which are confidential, focus on translating policies into legislation. **Andrew Parker, London**

### COURTS

## Forex chief jailed

The managing director of the Pagoda Group, a London-based foreign exchange dealing company, was yesterday sentenced to six years in prison after being convicted of cheating investors out of almost £1.4m ($2.29m). Dannis Cheung was found guilty last week of stealing money from clients, mainly ethnic Chinese living in the UK. Mr Cheung was convicted on one count of fraudulent trading and seven counts of theft involving £400,000. He was acquitted on one charge alleging he stole a further £180,000 from one client. Yesterday he also pleaded guilty to a further charge of obtaining £180,000 by deception by secretly cashing in a client's investment policies and keeping the proceeds.

Mr Cheung's lawyers said foreign exchange investment was a risky venture and Pagoda investors had known this. Mr Cheung was also disqualified from being a company director for 10 years. **John Mason, London**

# Departments face review of export support

**Andrew Parker, Political Correspondent**

A review of the government's export promotion activities was announced last night. It will examine the case for merging the support roles of the Foreign Office and the Department of Trade and Industry.

The review is likely to prompt a fierce battle between the departments.

Sir Richard Wilson, cabinet secretary, will head the review, which has been sought by the Confederation of British Industry, the British Chambers of Commerce and the Institute of Export.

They expressed dissatisfaction with the limited remit of a review last year, and criticised the failure to consider structural reform in government departments and the contracting out of services to the private sector. Tensions emerged between civil servants and private sector representatives on the forum which carried out the review.

Derek Fatchett, a foreign office minister, said yesterday in a written statement to parliament that the new review would examine the "arrangements for providing official support and promotion for exports (other than defence goods and services) and investment abroad".

The Foreign Office said: "The review will consider all options. Nothing is ruled out." Recommendations will go to Robin Cook, foreign secretary, and Margaret Beckett, chief trade and industry minister.

Private sector members of the review panel include Sir Ronald Hampel, chairman of ICI and Martin Henry, chairman of Lastolite. Other members are civil servants from the Foreign Office, Treasury and Department of Trade and Industry.

In Japan, export promotion is concentrated in a single government department, the international trade and industry ministry. In Finland the work is largely contracted out.

Ian Campbell, director-general of the Institute of Export, welcomed the review. He said small and medium-sized companies were faced with "tremendous obfuscation".

**LLOYD'S** DEMANDS UNLIKELY TO BE MET AT ANNUAL MEETING

# Names to seek assurances today

**By Christopher Adams, Insurance Correspondent**

Lloyd's Names will today seek assurances from Max Taylor, chairman of the insurance market, that their future as sole traders is secure.

The Names – whose personal wealth has traditionally supported the insurance market – fear that Lloyd's shift towards corporate capital could spell the end for their participation in the market. The Association of Lloyd's Members and The High Premium Group, whose membership comprises several thousand Names, will make their demands at Lloyd's annual meeting in London.

But they may be disappointed. Mr Taylor will tell groups representing Names – who also want to see private capital recruited – that Lloyd's is not seeking to remove their freedom to trade at the market. He will also say there are no plans to bring an end to the "annual venture", the traditional system of capital provision by which many Names participate at Lloyd's.

But Mr Taylor is unlikely to deliver many of the promises Names are seeking.

He is likely to adopt a conciliatory tone. A storm of protest greeted controversial comments from Ron Sandler, chief executive of Lloyd's, that the annual venture was costly and should be replaced by permanent capital. Mr Taylor will emphasise that Lloyd's is changing and will look very different in a few years.

Lloyd's will have to cut costs and diversify if it is to compete effectively in increasingly difficult global insurance markets, Mr Taylor will say.

He will not renege on commitments given last year to safeguard Names' interests but his comments will imply the demise of traditional Names, brought about by market forces.

New-style corporate capital has been replacing Names and formed strong links with insurance underwriters. As more underwriters gain control of capital backing syndicates they manage, the ability of Names to participate will probably diminish.

The Association of Lloyd's Members wants the market to say it will welcome new Names.

It is pressing Lloyd's to begin recruitment of private capital and to alleviate certain entry requirements.

John Young, chairman of Lloyd's regulatory board, will say that the board will try to ensure that Names are treated fairly and are not disadvantaged by the actions of professionals in the market. Mr Taylor is likely to resist pressure to actively welcome and recruit new Names.

PROFILE BEATE UHSE

# Granny who sells sex without shame

**Frederick Stüdemann** talks to the German septuagenarian behind a lucrative chain of sex shops and cinemas

Successful German female entrepreneurs are unusual enough. But there can be few rarer than Beate Uhse, the 77-year-old founder of Germany's best-known sex business. Ms Uhse is hard to miss. Walk around any large German town and you will probably pass one of her 84 shops or six cinemas. In Berlin there is even Beate Uhse's Erotic Museum.

Her strategy is simple: to sell sex without shame. In Germany, a country noted for its no-nonsense approach to sex, more than 80 per cent of adults know the Beate Uhse name and the company enjoys a solid reputation – one Ms Uhse hopes will spread to the rest of Europe. A total of 26 shops have already been opened outside Germany and more are planned.

Given the reputation of the sex industry, Ms Uhse's background is far from typical. A lively grandmother, she is a trained pilot who, like so many of the entrepreneurs of West Germany's early post-war years, began her business on a kitchen table.

It started with a pamphlet on natural birth control methods. The idea came from discussions with young women in Flensburg, a town in northern Germany to which Ms Uhse, then a newly widowed mother, fled from eastern Germany.

Horrified by the women's ignorance of contraceptives – a legacy of the Nazi era when procreation was encouraged – Ms Uhse collated information passed on by her mother, one of Germany's first female doctors. Produced in post-1945 Germany – the first printing bill was paid with 5lb of butter – the pamphlet was an instant success.

Further editions followed, as did inquiries from people seeking access to contraceptives. A deal with a condom manufacturer launched the mail-order business.

"In Germany after the war it was no great feat to sell goods. The art was in getting hold of the goods to sell," she says. She soon ran into the first of many legal battles. Ms Uhse could not guarantee that the condoms were being sent to married couples and was accused of breaking sex offence laws.

A turning point was a visit in 1961 to the Mail Order Association of America. "I returned with three key insights: that it is not shameful to earn money; that they were already using full colour in their brochures; and that even small and medium-sized mail-order houses had opened shops."

She quickly introduced these elements to Germany, where running shops alongside mail-order was seen as contradictory. But for Ms Uhse, shops not only offered new sales channels but also a way round laws banning the sending of pornographic material by post.

The first Beate Uhse shop, opened in Flensburg in 1962, is thought to be the world's first official sex shop. Others quickly followed, though not without some opposition from the authorities. Today the shops are a mix of directly owned businesses and franchise operations.

**Ms Uhse was quick to tap one of the many desires that communism failed to satisfy**

The arrival of the contraceptive pill and the relaxation of sexual mores in the 1960s provided a further boost to business. The other milestone was the introduction of the first battery-driven vibrators – which Ms Uhse says marked the first significant innovation in sex toys in two millennia.

Beate Uhse at the Erotic Museum in Berlin AP

When the Berlin wall came down in 1989 Ms Uhse was quick to tap one of the many desires that communism failed to satisfy. Barely 10 days after the wall fell the first lorries left Flensburg loaded with catalogues. East Germans are now among Ms Uhse's most loyal customers. Some 2m easterners are catalogue customers, compared with nearly 3m in the west.

The business has also benefitted from the spread of Aids. Ms Uhse says that with more couples staying monogamous, there is a greater demand than ever for her products, which range from blue movies and magazines to sex toys and "naughty" underwear. No sensible person has unprotected sex with someone they do not know, she says. "Instead they try and pep up their existing relationship."

But while her products may make for an unusual business, the evolution of her company is similar to other successful enterprises in Germany's Mittelstand sector.

Founded more by chance than by design, it has prospered through the drive of one person with no formal business training or qualifications. From its homespun origins, Beate Uhse now employs more than 600 people and has annual sales of DM130m ($73m).

Like nearly all Mittelstand companies, Beate Uhse has faced the tricky issue of succession, while also confronting the challenges of more open European markets and the impact of technology.

Ms Uhse decided to split the company in 1981 between her three sons. Dirk and Klaus took the publishing business and mail-order company, which were renamed Orion, while the shops and cinemas were kept by Ms Uhse and her youngest son, Ulrich. Following an agreed five-year period of no competition, she returned to the mail-order business.

Looking to the future, Ms Uhse is excited by the possibilities offered by technology. CD-Roms and the internet are already used for sales and distribution. But technology has its limits. "I think cyber-sex will develop, though only for a small group," she says. "Walking along a moonlit beach and hugging will still be far more popular."

DAVID BOWEN
**WEB SITE INSPECTION**

# Motor groups pick up speed on superhighway

*This is the first in an occasional series of opinion columns aimed at helping companies and other organisations improve their web sites*

When Daimler-Benz and Chrysler announced they were to merge, you can bet a lot of Americans leapt to the world wide web to find out more about the German giant. You can also be sure that far fewer Germans did the same to get the lowdown on Chrysler – but enough to make the internet critical for both companies.

That is exactly the sort of thing the web should be brilliant for. Not only can it inform, it can give a feel (good or bad) about a company, which may be critical to the ease with which a deal is accepted.

So, what do these two sites say about the companies? Daimler-Benz stumbled at the first fence by offering some unfortunate translations in its English version. "Informations to the Merger" was not a good start: it has corrected itself now, but I could hear the sniggers in Detroit from here. By contrast, Chrysler maintains an aura of slickness throughout. It is not superficial slickness either – there is an immense amount of information.

Delving deeper, it was the German site that impressed and surprised me most. Daimler-Benz used to have a reputation as a corporate brontosaurus – immensely solid, but without much flair. Yet here is one of the most imaginative big company sites I have seen. The newspaper format works well, with a mass of useful information and only a little gimmickry.

Also, the site serves investors wonderfully: live stock prices roll across the home page, and links take you to a mass of financial information. Perhaps most important, navigation throughout this huge site is excellent. I even liked Daimler's obligatory "fun" bit – a motoring history quiz with some fiendish questions. What *does* desmodromic mean?

I expected more from Chrysler, because US corporates are supposed to have the web sorted. It has masses of information, certainly, and a few amusing features. But it is let down by its navigation. I eventually found a share price and annual report – but more by luck than judgment. One feature I wanted to check on again had apparently disappeared, or at least I could not find it.

And if Germans want to get their own back on the language front, they will be disappointed. There *is* a section for German visitors – but it is in English.

The lessons? Try, like Daimler-Benz, to make your web sites surprising; check your English, if it is not your first language; and (please, Chrysler) do not make your site like a maze.

*www.daimlerbenz.com*
overall *****
navigation ****
aesthetic appeal ****
*www.chrysler.com*
overall ***
navigation *
aesthetic appeal****

With 115 World Cup web sites listed by the directory Yahoo!, it is not surprising that companies are anguishing about time lost to Ronaldo, Klinsmann or Vieri. It is true, certainly, that some of these sites are targeting the frustrated deskbound fan.

If you hear a whistle emanating from a nearby computer, your colleague may well have Soccernet running in the background. Its Soccer Live gizmo marks out the main moves on a "pitch" and makes suitable noises when something exciting happens – or rather about two minutes later.

More discreet colleagues may prefer Sportsweb, Reuter's upmarket site that gives live-ish match updates, or WC98, with its box that sits on a computer "desktop" and provides running scores.

But all these sites highlight the internet's inability to keep pace with television or radio when it comes to live action. Even Soccer Live's frantic animations are a bit, er, undramatic.

So what's the point? Well, some of the sites play to the internet's strengths, providing a mass of information and/or clever interactivity. Soccernet is a fount of US-style statistics – you can analyse those footballers till you drop. The tabloidy Teamtalk has online betting from William Hill, the bookmaker. Football365 is tabloidy, too – its interactive trick is to send a daily e-mail "newspaper" to anyone who signs up.

The official France 98 site, meanwhile, is a mass of well-organised information, though its real strength is in guiding you to the stadium, bouncing you from one interactive feature to the next. It will plan your route, calculate your motorway tolls, tell you the weather – then sell you a T-shirt.

These sites show how the web may segment an audience much as a newspaper does, and the several ways in which interactivity may be used. I found access surprisingly good, even during matches. All we need now is online ticket touts.

Official site:
*www.worldcup.com* *****
Football365:
*www.football365.com* ***
Soccernet:
*www.worldcup.soccernet.com* ****
Sportsweb:
*www.sportsweb.com* ***
WC98: *www.wc98.com* ***
Teamtalk:
*www.imsport.co.uk/france98* ***

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**SPAIN:** PROUD MEN EAGER FOR ANOTHER CHANCE TO MAKE AMENDS

# Ghosts of past failures haunt squad

The team are looking to their coach to turn longstanding regional rivalries into something positive, says **David Owen**

The skirl of bagpipes was in the air at Spain's secluded retreat in the horse country of Chantilly this week. No, the Tartan Army had not embarked on a spying mission. But the true explanation turned out to be only slightly less bizarre.

These were Galician pipes and they were being played to mark the signing of an agreement for the Spanish team to promote Galician agricultural products over the next three years. The Royal Spanish Football Federation has, in its wisdom, undertaken to include such products – which include cheese, wine, chicken and milk – in its team's diets over this period.

One might be forgiven for thinking that the players, who today face a do-or-die clash with José Chilavert's Paraguay, could do without such distractions, happy as Fernando Morientes, the young Real Madrid striker, looked holding a small child and tapping a drum for the photographers.

"It's better for them because otherwise every day is the same," explains a helpful official. We are standing near a large banner promoting Spain's push to host the 2004 European Championships. Does this sound like a camp that has its priorities right?

The team have certainly had a discordant start to this World Cup, losing their first match to the recently less-than-Super Eagles of Nigeria in the tournament's biggest upset so far. Playing typically tidy, disciplined football, Javier Clemente's men looked to have the match under control only to fold in the final quarter after a crass error by Andoni Zubizarreta, the veteran goalkeeper. Raúl, another nippy Real Madrid attacker, could have had two goals in the first five minutes.

Replicate that performance and the Spaniards ought comfortably to dispose of the lesser lights of Paraguay, and subsequently Bulgaria, to claim the second-round place that should rightfully be theirs and perhaps even top the group.

But this is a team with a tradition of underperforming at big tournaments – never more so than in 1982 when, as World Cup hosts, they somehow contrived to draw with Honduras and lose to Northern Ireland. To what extent are the ghosts of such past failures haunting the present squad?

Considerably, to judge by the carefully orchestrated press conference that preceded the day's musical interlude. As players trooped in one by one, in elegant blue sports shirts, much of the talk was of Spain's genuinely impressive recent record and of the "accident" of the Nigerian result.

But Luis Enrique, a tireless midfield runner, was relentlessly serious. Fernando Hierro, more economical both as orator and player, seemed introspective and Juan Antonio Pizzi hesitant.

Zubizarreta did not appear. The hugely experienced Valencia goalkeeper has already admitted regretting his "costly error", while saying he was not losing any sleep over it.

Best foot forward: Spain's Francisco Kiko (left) and his team-mates are determined to turn on the style

More than anything, one sensed a difficulty in accepting the Nigeria result and an aching desire among proud men for another chance to do themselves justice. The slow rhythm of this 32-team World Cup tournament, with first-round matches spaced nearly a week apart, must be torture for them.

Among the Spanish press corps, Clemente, who seemed in sullen mood, is blamed for picking too defensive a team for the Nigeria match, in spite of the country's abundance of forward talent. Changes are forecast for tonight's match, with Athletic Bilbao's creative midfielder Julen Guerrero tipped to make his France 98 debut. A switch is unlikely in goal, with the Spanish coach wasting no time in expressing his "full confidence" in Zubizarreta, whom he has known since his own Athletic Bilbao days in the 1980s.

There is a strong argument that panic changes are the last thing the team needs and that Clemente should have the courage of his convictions, confident in the knowledge that his original selection, however defensively oriented, found little difficulty slicing through a muscular but poorly co-ordinated Nigerian defence.

If there is one strength that still seems likely to prove the side's salvation at France 98, at least to the extent of getting them through to the second round, it is the solidarity their Basque coach, now six years in the job, has by all accounts instilled into representatives of a country characterised by unusually intense regional rivalries.

In footballing terms, this has always been epitomised by the struggle for supremacy between two traditional club rivals: Catalonia's Barcelona, which boasts eight players in the current squad, and Castile's Real Madrid (four players). This perpetual sparring match has helped spur both clubs repeatedly to success at international level. Real, of course, are the present European champions.

If Clemente has indeed found the secret of harnessing this rivalry to exclusively positive effect in the national team, not only may all not be lost in the current tournament, but he could go down as the first man to remedy Spanish football's eternal conundrum: how can a country that has spawned such great club sides churn out national teams that consistently fail when the chips are down?

On the other hand, watch out for drooping heads if Paraguay grab an early goal. The Spanish challenge is truly balanced on a razor's edge.

FRANCE 98 DIGEST

**GROUP C SOUTH AFRICA 1 DENMARK 1**

## South Africa gain spirited draw in red card frenzy

South Africa earned their first point in the World Cup finals yesterday with a spirited draw with Denmark in Toulouse. The newcomers could have had all three points if Quinton Fortune's last-minute 30-yard thunderbolt had been inches lower. Instead, it hit the bar and bounced to safety, much to the relief of Peter Schmeichel, earning his 100th cap in the Danish goal. The game was also remarkable for featuring three red cards, none of them warranted, as the Colombian referee took Fifa's exhortations for a tougher stance on foul play to extremes. The result leaves Denmark handily placed with four points, and South Africa still with a chance of qualifying.

The match got off to a furious start as Denmark tore into South Africa, spurred on by Brian Laudrup as he gambolled in the wide open spaces left by the African team's struggling defence. A handful of chances were spurned before Laudrup skipped past several defenders down the left flank and crossed to the far post where an unmarked Allan Nielsen volleyed the ball home. Yet Denmark failed to capitalise on their superiority and it was not long before the pace and dribbling skills of Helman Mkhalele forced the Danish on to the back foot. The Ajax striker Benedict McCarthy (above) also proved troublesome. But while South Africa dominated the last 15 minutes of the first half, they failed to convert any one of a host of good opportunities to score. Yet their reward came within six minutes of the restart. Some clever interpassing between John Moshoeu and Shaun Bartlett released McCarthy, who slipped the ball underneath Schmeichel from nine yards.

South Africa kept up the pressure, but the game began to deteriorate after the referee, Toro Rendon, made some unnecessary bookings and then sent off two players in a minute – first the Dane Miklos Molnar then South Africa's Pierre Phiri. Rendon, who must have been suffering from sunstroke in the fierce heat, later dismissed Morten Weighorst for a tackle that barely deserved a booking. It was a farcical end to what had been an enjoyable game. **Patrick Harverson**

**TICKETS**

## 15,000 stolen from Paris office

Problems over World Cup tickets mounted yesterday when it emerged that 15,000 had been stolen from an agency in Paris. The tickets, some of which are for England's two remaining first-round games and for the Scotland v Morocco match, were taken from the French office of Prime Sports International on Wednesday night. PSI, one of the tournament's official ticket agencies, has offered FFr1m ($160,000) for their return.

**BETTING**

## Shop around for Salas odds

With three goals in two games, Chile's fiery Marcelo Salas is as low as 7-2 with some London bookmakers to win the Golden Boot competition for top World Cup scorer. But it pays to shop around: the Tote, for example, was offering Salas at 6-1 yesterday compared with 7-1 against three-goal Christian Vieri of Italy.

Bookies are not yet convinced that Italy, who can be backed at 10-1, have the class to win the competition. Odds-wise, the four leaders are Brazil (unchanged at 3-1), France (11-2) and Argentina and Germany (both 7-1). Holland and England are 9-1, Spain 16-1. An £80 bet on Argentina to win the Cup at 9-1 is the main wager so far from the FT's £1,000 World Cup pot. To date, £200 has been invested on six bets. It is unlikely any fresh wagers will be contemplated until the end of the group stage, a week today. **Michael Thompson-Noel**

**TODAY'S GAMES**

● **NIGERIA V BULGARIA, 17.30*, PARIS, GROUP D.** The Super Eagles, fresh from beating Spain, will have high hopes of three more points against Bulgaria, who must bitterly regret only drawing with fellow underdogs Paraguay.

● **SPAIN V PARAGUAY, 21.00, ST ETIENNE, GROUP D.** The Spaniards will be extremely determined after their surprise defeat by Nigeria and Paraguay may suffer from the backlash.

*Local kick-off times (GMT + 2 hours). One earlier in UK.*

**NUMBERS SO FAR**

| | | | |
|---|---|---|---|
| Goals total | 49 | Sendings off | 7 |
| Bookings | 80 | Penalties | 2 |

For latest World Cup news
www.FT.com/worldcup98

**HOOLIGANISM:** ENGLAND ARE NOT FIT COMPANY TO ATTEND THE PARTY

# The net losses from shame

As England fans gather in Toulouse, **Andrew Taylor** ponders the damage the thugs have done to the country's image

I can only suppose he loved his country. Wrapped in an English flag the man swayed unsteadily, his face blotched red with too much sun and alcohol. One fat arm, extending from an ill-fitting soccer shirt, was raised in a belligerent salute.

A beer bottle clutched in his other hand was raised occasionally to the lips as he led a group of similarly clad young Englishmen chanting "INGER . . . LAND, INGER- . . . LAND".

The time was just after midday on Sunday in the Vieux Port area of Marseilles, roughly 24 hours before England were due to meet Tunisia in their opening game of the World Cup.

The body language of English supporters in the bars around the picturesque marina already exuded menace. This later exploded into running fights with French riot police and local Marseilles youths.

The damage caused to Britain's (apologies to innocent Scots and Welsh) interests in Europe and perhaps even farther afield has still to be costed. I could only apologise for the behaviour of my countrymen to my host – a representative of one of France's biggest industrial companies.

My table at lunch before the game also included senior representatives from Tunisia's electricity and gas industries. When they work, such functions are a serious opportunity for companies to "sell" their corporate and brand image. For countries, an occasion such as the World Cup should be a joyful expression of nationality, as well as offering exhilarating sporting theatre.

It must thus have been even more embarrassing for British executives who had invited international guests to attend the game and the pre-match celebrations. Many of them had seen the violence at first hand as bottle-throwing fans clashed in the streets around their hotels on Sunday night.

The most immediate cost, potentially running into hundreds of millions of pounds, could be the withdrawal of international support for Britain's bid to host the 2006 World Cup.

But there is little doubt that Britain's image, as a country known for its support of fair play and tolerance, has been dented.

Coverage of the events in continental European newspapers tells its own tale. The Italian La Repubblica portrayed English fans as the real face of "the ignorant side" of Blair's Britain.

"Look at these people," the newspaper wrote, "with their stomachs hanging out, tattooed from top to bottom, peeing on people on the ground, too drunk to remember their names and addresses at the police station."

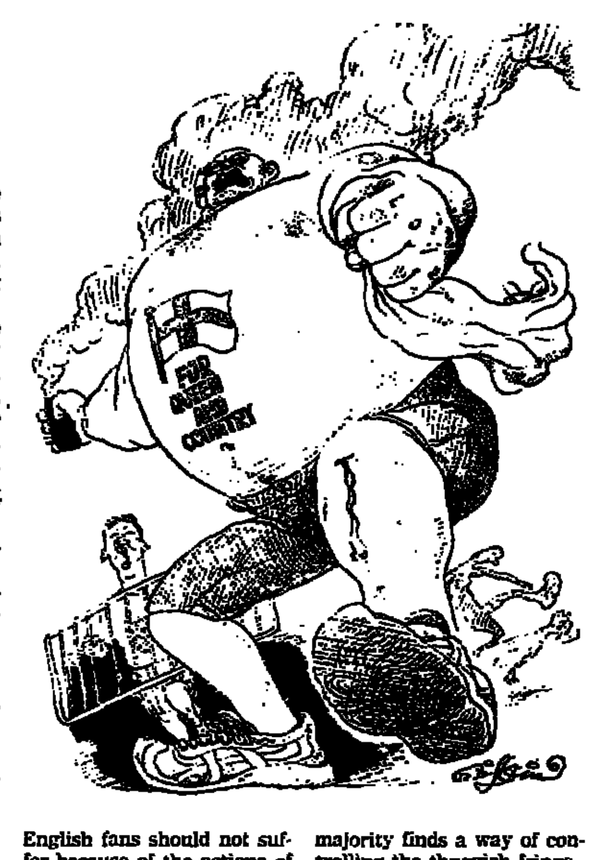
Germany's Frankfurter Allgemeine Zeitung contrasted the British prime minister's efforts to promote his country at this week's European Union summit in Cardiff with the uninhibited vandalism and racism taking place in Marseilles.

The paper claimed the hooligan was "a particularly English creation, drawn from the working class, whose natural habitat is the pub and whose intellectual horizon is confined to an overwrought, usually racist and far-right stew of half-baked ideas".

Attacks on foreigners by rightwing thugs are not unknown in Germany or Marseilles. But this took place at an international event, shown to television viewers around the world.

Apologists will criticise French organisation just as over-reaction by Italian police was blamed last autumn when British fans last hit the headlines. Whose fault was it then that a match between England and Ireland was abandoned in Dublin in 1995?

It has been said that society is to blame, not football, and that the majority of English fans should not suffer because of the actions of the minority.



My own view is that England are simply not fit company to attend international parties until that majority finds a way of controlling the thuggish fringe.

So, come home England before more damage is done. A repeat performance in Toulouse would be too much to bear.

GROUP TABLES

| GROUP A | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Brazil | 2 | 2 | 0 | 0 | 5 | 1 | 6 |
| Norway | 2 | 0 | 2 | 0 | 3 | 3 | 2 |
| Scotland | 2 | 0 | 1 | 1 | 2 | 3 | 1 |
| Morocco | 2 | 0 | 1 | 1 | 2 | 5 | 1 |

| GROUP B | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Italy | 2 | 1 | 1 | 0 | 5 | 2 | 4 |
| Chile | 2 | 0 | 2 | 0 | 3 | 3 | 2 |
| Austria | 2 | 0 | 2 | 0 | 2 | 2 | 2 |
| Cameroon | 2 | 0 | 1 | 1 | 1 | 4 | 1 |

| GROUP C | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Denmark | 2 | 1 | 1 | 0 | 2 | 1 | 4 |
| France | 1 | 1 | 0 | 0 | 3 | 0 | 3 |
| Sth Africa | 2 | 0 | 1 | 1 | 1 | 4 | 1 |
| Saudi Arabia | 1 | 0 | 0 | 1 | 0 | 1 | 0 |

| GROUP D | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Nigeria | 1 | 1 | 0 | 0 | 3 | 2 | 3 |
| Paraguay | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| Bulgaria | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| Spain | 1 | 0 | 0 | 1 | 2 | 3 | 0 |

| GROUP E | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Mexico | 1 | 1 | 0 | 0 | 3 | 1 | 3 |
| Holland | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| Belgium | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| Sth Korea | 1 | 0 | 0 | 1 | 1 | 3 | 0 |

| GROUP F | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Germany | 1 | 1 | 0 | 0 | 2 | 0 | 3 |
| Yugoslavia | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Iran | 1 | 0 | 0 | 1 | 0 | 1 | 0 |
| US | 1 | 0 | 0 | 1 | 0 | 2 | 0 |

| GROUP G | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| England | 1 | 1 | 0 | 0 | 2 | 0 | 3 |
| Romania | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Colombia | 1 | 0 | 0 | 1 | 0 | 1 | 0 |
| Tunisia | 1 | 0 | 0 | 1 | 0 | 2 | 0 |

| GROUP H | P | W | D | L | F | A | Pts |
|---|---|---|---|---|---|---|---|
| Croatia | 1 | 1 | 0 | 0 | 3 | 1 | 3 |
| Argentina | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Japan | 1 | 0 | 0 | 1 | 0 | 1 | 0 |
| Jamaica | 1 | 0 | 0 | 1 | 1 | 3 | 0 |



هكذا من الأصل

RICHARD DONKIN

# The numbers game

## Reports of large job losses may not have translated into smaller workforces

Like the boxer who takes on one bout too many or the gunslinger who has developed the shakes, there was a certain inevitability about Al Dunlap's departure as chairman of the Sunbeam Corporation, the US domestic appliances company, last weekend.

Mr Dunlap, whose reputation had been built on his ability to turn around flabby companies by a remorseless use of the knife, came to epitomise the lean and mean era of the late 1980s and early 1990s. The news that "Chainsaw Al" had arrived was in itself sufficient to boost a company's stock.

This was an era when the announcement of job cuts was greeted with enthusiasm by shareholders anxious to enjoy the benefits of an immediate bottom-line impact. But how often did those job cuts turn out to be as severe as they sounded at the time of their announcement?

The question was posed this week by Henry Farber, an economist at Princeton University in the US. Mr Farber has been puzzled for some time about the dearth of evidence to back up the reports of large-scale downsizing programmes in the US. His studies of job loss rates up to 1993 threw up no evidence that companies were getting rid of people to any greater degree than they had always done. This is not to say that downsizing is a myth, but it

**'When I was young lay-offs were treated as bad news. Now it's good news'**

does suggest that its impact may have been overblown.

"Two years ago I would have said there was no evidence at all for it happening, but now I'm beginning to see some evidence. The rates of job loss between 1993 and 1995 are higher than I would have expected given the strength of the labour market," he says.

He wonders whether companies did in fact lay-off all those they announced would be leaving, suspecting that some announcements may have been deliberately designed to court stock market approval. "There appears to be some anecdotal evidence that the stock market reacts favourably to news of lay-offs. When I was a youngster, such lay-offs were treated as bad news. Now it's good news," he says.

Mr Dunlap's demise may signal that the wind has changed again if the initial euphoria induced by the bottom-line "fix" has begun to fade. Instead of looking for lay-offs, analysts may begin to look for signs that a company has lost the ability to attract recruits, damaging its growth prospects.

On the other hand it may still take time for job cuts to work their way through the system amid the wave of mergers sweeping the US. Challenger, Gray & Christmas, a US outplacement company that tracks job cuts on a monthly basis, notes that the 215,529 US job cuts to the end of May are 26 per cent ahead of the 170,475 registered in the same period last year.

The number of job cuts related to mergers, says the company, has been rising, suggesting that recently merged businesses that chose initially to hold on to their workers in the face of labour shortages are now beginning to trim their workforces. This may be caused in part by the impact of the Asian financial crisis filtering through and partly because of the need to reduce the financial burden arising out of the merger.

### CEO pay

The idea that chief executives of public companies are paid the market rate for their job is something of fallacy, according to Charles O'Reilly, professor of human resource management at Stanford Business School. Chief executive pay has less to do with market forces and far more to do with how chummy they are with the compensation committee, says Prof O'Reilly.

The professor has made such observations in the face of a contention among economists, including one within his own faculty, that chief executives get the rewards they deserve. Whether they continue to be motivated by such rewards after reaching the top is another matter.

Edward Lazear, the school's professor of human resource management and economics, compares the way that executives compete for the top job to the way golfers or tennis players approach tournaments. He quotes evidence from the Professional Golfers' Association, which found that raising total prize money by $100,000 lowered players' scores on average by 1.1 strokes over 72 holes.

Whatever the arguments about motivation, Prof O'Reilly says that once the top job has been attained, pay levels tend to be governed by the chairman of the compensation committee, often a chief executive of another company. There is a strong temptation, says the professor, for the committee chairman to gauge the chief executive's salary against his own.

Prof O'Reilly found that the more the committee chairman was paid, the more the chief executive could expect to make. He says that appointing a chairman of a compensation committee who made $100,000 more in salary could net a chief executive a pay increase equivalent to that which he might expect from doubling the company's return on equity from 15 to 30 per cent.

Other emotions are also in play, he says. Members of the compensation committee feel indebted to the chief executive, who will more often than not have been involved in their appointment.

In support of this theory he found that in those cases where the chairman of a compensation committee was appointed prior to the arrival of the chief executive, salary increases were about 12 per cent smaller than those enjoyed by the other bosses.

The findings suggest that the first thing incumbent chief executives should do, if they are mercenary enough about their income, is to replace their remuneration committee and make sure that the new appointees are earning relatively high salaries in their own companies.

### Jobs on the net

The headhunting industry appears to be undergoing something of an overhaul, with at least one and possibly two of the biggest operators planning to become publicly quoted companies.

Heidrick & Struggles has already announced its intention to make an initial public offering. The same route is now being considered by Korn/Ferry International, which could use a cash injection after entering into a deal with the Wall Street Journal to launch a combined search and advertising driven recruitment site on the internet called Futurestep.

The site asks for extensive personal details from those who sign on, which it can then hold confidentially and marry to job vacancies. It marks a radical departure for the search industry that has hitherto tended to be contemptuous of the internet.

*richard.donkin@FT.com*

WORKING BRIEFS

## ECA launches guide to help expats adjust to life back home

Some 8 per cent of expatriate employees leave their companies within two years of returning from an overseas assignment, according to statistics drawn from the client database of ECA International, the human resources consultant. ECA has launched a guide to help employees and their families adjust to life back home.

The return, it says, can often prove more traumatic than the move abroad because preparation for a return is usually far less comprehensive than that provided for leaving. The guide, which includes a questionnaire designed to increase awareness of the issues facing returners, is the latest in a series of guides from ECA giving advice to expatriates and their managers.

*Emily Tuite +44 171 351 5000*

## Online service

Those expatriates preferring to source their information online can subscribe to a new service called CountryNet launched by Arthur Andersen in association with The Economist Intelligence Unit and Craighead Publications.

The service, launched to meet an estimated 60 per cent rise in expatriate assignments worldwide in 1999, provides tax, social, political and cultural information on 84 countries. It is available through an annual subscription fee geared to the likely number of users.

*Mark Williams +44 118 950 8141*

## IT is dull

It's official: information technology is dull work, so dull in fact that IT graduates are more likely than any others to switch careers, according to a survey in the US.

The research, carried out by George Mason University, Fairfax, Virginia, found that IT workers were almost twice as likely as other workers with college backgrounds to switch careers. Some 40 per cent of the IT employees wished they had studied something different at college. Three-quarters of those felt they would have had much more fun studying liberal arts.

"The results suggest that employees are more restless than in the past and that companies, especially in the critically short-staffed high-tech industries, may want to take a hard look at their retention efforts," said Alan Merten, university president.

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*The Energy Charter Treaty provides a legal framework to promote energy co-operation investment, trade and transit. The Treaty's 51 participants comprise all states of Western, Central and Eastern Europe, the countries of the Former Soviet Union, Japan and Australia. For further information on the Treaty and the Secretariat, see website: www.encharter.org or e-mail: encharter@encharter.org*

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- Market leading distributor, with extensive range of added value processing facilities, supplying a large demanding customer base, through a regional network across the UK and Ireland.
- Reporting to and working closely with the Managing Director, key initial challenge will be to implement a step change in the quality of management information. This will enable the function to proactively provide effective and commercial focused advice with which to drive the strategic development and operational management of the business.
- Graduate, qualified accountant, with a proven track record at senior level gained within a progressive, fast moving and ideally geographically dispersed organisation. Suitable sectors could include distribution, retail and wholesale, or manufacturing which employs complex channels of distribution.
- Team player but with strength of character and personality to contribute individually and stand own ground. Strongly commercial with a customer service ethos.
- Powerful intellect and innovative problem solver. Tough but able to quickly build relationships and credibility internally and externally. Capacity for career advancement.

Please apply in writing quoting reference 1661
with full career and salary details to:
James Thorne
Whitehead Selection
4 The Courtyard, 707 Warwick Road, Solihull B91 3DA
Tel: 0121 709 0909. Fax: 0121 709 0479
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

ABU DHABI INVESTMENT AUTHORITY

## *Assistant Controller - Treasury and Commodities*

The Abu Dhabi Investment Authority, a state super-annuation fund located in the United Arab Emirates is seeking an Assistant Controller TREASURY & COMMODITIES to work in Abu Dhabi.

Working within the Accounting Department, the position will report to the Executive Director of Accounting and the Senior Financial Controller. The incumbent will be responsible for all aspects of Treasury and Commodity fund Management Administration including data capture, position/valuation reporting, *and* the production of periodic reporting of fund performance to AIMR standards, bench mark attribution, and risk measurement.

Applicants should:

- be ACA, CPA, ACCA, or CIMA qualified,
- have 3 or more years in a similar role as described,
- possess a detailed understanding of complex derivatives and valuation thereof,
- be familiar with concepts of performance/attribution, risk/tracking error,
- have 5 or more years experience with a corporate treasury/commodity fund manager
- CFA an advantage

The position based in Abu Dhabi, offers an excellent tax free family status expatriate package on a two year renewable contract basis including:

- Annual Basic salary net of tax commensurate with experience
- Fully Provided Housing
- Relocation allowances
- Education allowances for accompanying children
- Furniture grant
- Generous annual leave including business class tickets to country of origin for employee and family members
- Automobile allowance
- Medical and dental benefits
- End of service benefit

Please send CVs with salary history to:
Executive Director,
Accounts Department,
Abu Dhabi Investment Authority
Fax: 00971-2-274351
P.O. Box 3600
Abu Dhabi
United Arab Emirates

صكنا من الاصل



# Blue-chip Entertainment Industry

**Our client is a leading force in the entertainment industry with revenues exceeding £3 billion and a presence in over 70 countries. Due to a recent change in their global strategy, having been involved in a number of acquisitions and divestments, they are now focused on their core business activity. *As a result of this restructuring process, they have identified the need for two key personnel within their corporate finance function.***

## Group Reporting Manager

**London** **£45,000 + Car + Benefits**

This high profile role is essential to the Group financial reporting process. Key areas of responsibility will include:

- Preparation, analysis and interpretation of consolidated financial data and reports for external statutory reporting purposes.
- Consolidation of Group data and production of monthly management reports.
- Liaison with Group companies and head office departments on reporting and technical accounting issues.
- Involvement in development of financial reporting systems to aid the statutory and management reporting processes.
- Staff development within the department.

As a prospective candidate, you will be an ambitious ACA qualified accountant with 3-5 years post qualified experience. You will be technically strong and up-to-date, multi-currency consolidation experience is essential. Experience within the head office of a large multinational organisation will be an advantage. Able to work on your own initiative, you will have good communications skills, organisational ability and a hands-on approach. You will be seeking a step up into a more challenging role with staff-management responsibility and exposure to key management. Reference 431400.

## Management Accountant

**London** **£35,000 + Car + Benefits**

Reporting to the Financial Reporting Manager, the management accountant will play a key role in a small, highly focused team, providing and analysing information for this global business. Responsibilities will include:

- Assistance with preparation of management and financial information, including monthly reports, forecasts and budgets.
- Key supporting role in the analysis of group and regional trading performance, competitor analysis and trends including cash flows.
- Involvement with systems development to enhance data collection.
- Substantial involvement in the development of the detail and presentation of current reporting.

The successful candidate will be an ambitious, enthusiastic, qualified accountant with up to three years post qualified experience. Strong communication skills and commercial experience are needed, entertainment industry experience will be an advantage. This role would suit candidates looking for a fast moving, blue-chip environment where the use of their flair and initiative is pre-requisite. Reference 431403

Interested applicants should forward an up-to-date curriculum vitae including current remuneration and daytime contact number to Keith MacKenzie at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA, or fax on 0181 847 5703 *or e-mail: keithmackenzie@michaelpage.com* Please quote the relevant ref number.

**Michael Page**
FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

# Financial Controller

FULTON®

**East London** **to £50,000 Package**

With an enviable reputation for quality and a blue-chip retail customer base, Fulton is the UK's leading umbrella manufacturer and distributor. The company's niche status and its focus on product design and technical innovation, has led to a 30% share of the UK market. Plans for the future include further international expansion and possible flotation.

As number one in finance, heading up a small team, your specific responsibilities will include:

- Working in partnership with the Managing Director to establish and achieve strategic objectives.
- Providing comprehensive financial and commercial support to senior management.
- Developing forecasting and budgetary control.
- Producing management and statutory accounts.
- Treasury and cash flow management.
- Developing financial systems and processes.

It is envisaged that this individual will be given the opportunity of assuming a key role within the senior management team with responsibility for sales, production and product development, as well as handling key customer accounts.

The successful candidate will probably be a qualified accountant with at least three years post qualification experience within a commercial environment. They will be committed to achieving further company efficiencies and have the ability to communicate and influence at all levels.

*Interested candidates should send their curriculum vitae with covering letter stating your salary details to* Simon Keating, at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, *or fax* 0171 831 2354, quoting ref 429621. Alternatively e-mail: simonkeating@michaelpage.com

**Michael Page**
FINANCE

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# Group Tax Manager

NORTON Healthcare

**Harlow/Royal Docks** **£ Competitive**

Norton Healthcare Limited, one of the UK's leading pharmaceutical companies and the UK's largest generics company, has seen exceptional annual sales growth of 17% for the last four years.

Due to expansion and subsequent relocation to Royal Docks, a unique and challenging role has arisen for a Group Tax Manager to be responsible for a variety of assignments, both on a national and international basis. The position will report to the Group Financial Controller and will be key role within the highly motivated group finance function.

Detailed responsibilities include:

- UK and overseas corporate tax compliance and planning, including preparation of the returns and dealing with the Inland Revenue.
- Group VAT issues at all levels.
- US Reporting.
- Personal tax relating to remuneration, P11Ds, expatriate and payroll issues.
- International planning and advisory work.

*Candidates for consideration will be part or fully* qualified ATII/ACA/ACCA with up to five years general practice experience in either industry/commerce or practice. You will have excellent communication and team work skills as well as the ability to manage projects to deadlines and work confidently under pressure.

This is a unique opportunity for an ambitious tax specialist to develop all round skills in a truly stand alone position.

If you are interested in discussing this opportunity, please send your CV to Jenny Long at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN, telephone on 0171 269 2483 or e-mail: jennylong@michaelpage.com

**Michael Page**
TAXATION

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

Wincanton *logistics*

# Head of Internal Audit

**Somerset** **to £50,000 Package including Bonus + Car**

Our client, Wincanton Logistics, is part of Unigate Plc and one of the largest third party logistics contractors in the UK with a turnover of over £500 million. Wincanton provides complete logistics solutions to a wide range of blue-chip clients in the retail and manufacturing sectors. In the last few years, Wincanton has significantly expanded its operations through acquisition and major organic investment.

Due to a recent internal line promotion, the business now requires a Head of Internal Audit. Reporting to the Finance Director, your role will not only encompass the management of the internal audit function but also significant financial and commercial projects, including acquisitions. Key relationships will be built across the business with divisional finance directors, operational management and Unigate Group.

With a minimum of four years post qualification experience, you are likely to be already a manager or senior manager in a 'Big 6'/medium practice or alternatively be within a progressive audit function in industry. Exposure to due diligence or general corporate finance assignments will be highly desirable.

A confident, assertive individual with excellent written and verbal communication skills, you will be at ease in a commercial environment.

*Interested candidates should send a CV to Andrew* Setchell at Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL or fax 0117 9264223 quoting *reference* NTA1.

**Michael Page**
FINANCE

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***Exponential growth - natural development and acquisition***

# ACCOUNTANTS - WITH VISION AND DRIVE

**Major developments in the finance function to keep pace with their growth means that our client now seeks the following:**

**£35,000-£60,000 PACKAGES**

**WEST OF LONDON M4/M3**

### DIVISIONAL FINANCIAL CONTROLLER

Reporting to, and working closely with the Group Financial Director and Managing Director of this £70m + business, you will oversee the entire financial and management accounting for the prime UK and European division, heading a team of accountants operating in diverse, fast-moving service sectors. You will be a qualified accountant, with at least 5 years' PQ international experience and have strong commercial, technical and leadership skills. Initial salary negotiable £40,000 - £50,000 + 20% bonus. **Ref: DFC7471/FT**

### MANAGEMENT ACCOUNTANTS

Reporting to the Divisional Financial Controller, there are posts for young qualified Accountants. You will support the Divisional Directors of the rapidly expanding business sectors with responsibility for variance analysis, budgeting & forecasting, tender/contract costing appraisals and in-depth review of the businesses, eg. Key Performance Indicators, trends and business opportunities. Important will be the ability to liaise closely with line management and assist in achieving their objectives and solving problems. Initial salary negotiable £28,000 - £40,000 + 10% bonus. **Ref: MA7473/FT**

### GROUP ACCOUNTANT - EUROPE

You will report to and support the Group Financial Director, with responsibility for all European financial reporting, including consolidations, UK & US GAAP plus M&A. You will be an ACA with at least two years' PQE and likely to be a business degree graduate. This key position calls for an analytical and flexible self-starter with initiative and an eye for detail. Initial salary negotiable £30,000 - £40,000 + 20% bonus. **Ref: GAE7472/FT**

### FINANCIAL ACCOUNTANT

This appointment calls for a young qualified Accountant with 2 years' PQE and strong financial accounting and systems implementation expertise. Reporting to the Divisional Financial Controller, you will be responsible for the annual statutory accounts for a number of UK group companies, management of the ledgers and credit control functions. Effective team management and liaison with the European subsidiaries will be vital to the success of this role. Initial salary negotiable £28,000 - £38,000 + 10% bonus. **Ref: FA7474/FT**

**Our client, a global organisation, headquartered and quoted in the US, is *one of the foremost* providers of high quality, cost effective labour intensive services in its field. *They deliver cost effective* service solutions by state-of-the-art systems and have a genuine customer focus in their core business. *The strategic* diversification thrust is aimed at higher margin activities through acquisition, as well as natural growth.**

**Applications in strict confidence, quoting appropriate reference to the Managing Director, Accountancy & Legal Professions Selection Ltd, 2 London Wall Buildings, London Wall, London EC2M 5PP. Telephone 0171 588 3114. Fax: *0171 638 9216***

# International Financial Management

## Global Market Leader - North East Base

**Newly privatised, fast growing, £70 million world class company and global market leader providing critical high technology services to oil and gas majors through regional profit centres in North and South America, Europe, CIS and Asia/Pacific. Committed to grow the business organically, providing strong customer focus, extending scope of existing services and driving core competencies into new markets. Further expansion accomplished through strategic alliances, acquisitions and investment in new concepts and technologies.**

## Group Management Accountant

**c£35,000, bonus, car**

**The Position**

- Report to Group Financial Controller as part of international finance management network. Global involvement with Regional Managing Directors and Financial Controllers across all operational and commercial issues to improve business performance. Particular focus in European region. International travel necessary.
- Analyse group and regional trading performance and trends, interpret for management and guide operations management as to cost drivers, sources of profitability and profit growth opportunities.
- Implement common management accounting and cost estimating policies, develop key performance measures, drive transfer pricing system, manage high level project reviews and establish project accounting methodology.

**The Requirements**

- Graduate calibre CIMA. Minimum three years' PQE in management accounting and financial planning in a multinational engineering/contracting company engaged in international projects. Knowledge of project control methodology.
- Outgoing, resilient, flexible, sharp mind, commercially astute. Skilled in managing procedural change.
- Excellent communication skills, ability to influence and persuade. Attention to detail, committed to quality. Potential and enthusiasm to progress.

**Ref: 11610/FT**

## International Tax and Treasury Manager

**c£50,000, bonus, car**

**The Position**

- Key central role accountable to Group Financial Director for devising and delivering tax and treasury strategy worldwide.
- Advise on corporate structure, monitor and manage exposure to overseas taxes, provide planning analysis and advice on complex issues to group and geographic regions.
- Manage compliance and multiple projects. Provide tax appraisal on contracts.
- Devise and deliver Group Treasury policies. Control bank relationship, bonds and guarantees. Manage cash, foreign exchange exposure and interest rate exposure.

**The Requirements**

- Graduate ACA/ATII. Minimum three years' PQE exposure to sophisticated international corporate taxation management gained in or advising UK centre of multinational business. Prior treasury exposure particularly beneficial.
- Demonstrate experience of improving commercial, financial and tax management. Technically excellent and commercially astute. Proactive and innovative approach. Proven leadership experience.
- Confident and mature. Internationally aware. Strong communicator. Intellectually able with high level interpersonal skills. Potential to make significant contribution and to progress.

**Ref: 11606/FT**

**These are rare opportunities to join a young, exciting company, poised for substantial growth and further international development. The rewards for those who can share in the delivery of its vision will be high.**

**Please submit a comprehensive career résumé including salary details and quoting the relevant reference number. Confidentiality is strictly guaranteed.**

Varley Walker

**Varley Walker**
**182 Portland Road**
**Newcastle upon Tyne NE2 1DJ**
**Tel: 0191 221 0101 Fax: 0191 221 0842**

**E-mail: webmaster@varleywalker.com • Website: http://www.varleywalker.com**

**Executive Search ▾ Management Selection ▾ Corporate Psychology**

# Do you have what it takes? If so, look no further...

An opportunity has arisen for ambitious, high potential professionals to join the retail investment business of one of the largest asset management organisations; part of an established and prominent group. With over £100 billion of assets under management, the organisation is now set to further develop its investment proposition to the retail market and requires two specialists to drive the continued development of an effective business infrastructure.

## Management Accountant

**City £ Attractive + Finance Sector Benefits**

Reporting to the Head of Finance, you will lead and operate the provision of high quality financial information to the management team. Building the annual operating plans, you will have a clear accountability to develop an effective management information system to meet the needs of the business and its synergy with the wider group structure.

An ACA or equivalent with at least three years experience in a demanding commercial environment, ideally with experience in the financial services sector, you will have the drive and tenacity to operate within a climate of change.

## Senior Compliance Analyst

**Ilford £ Attractive + Finance Sector Benefits**

Operating as a clear deputy to the Head of Compliance, you and your team will support the provision of high quality regulatory guidance, risk monitoring and operational compliance activities to the business.

*The ideal candidate should have a detailed knowledge of IMRO with an* understanding of the collective system regulations and PIA regulations. First line supervisory skills are desirable. Above all you will have the confidence to apply your considerable technical and interpersonal skills in a complex environment with minimal supervision.

Successful candidates will join a young performance driven team that is aiming to build a culture of effective collaboration and open communication right across its business. Both roles demand first class communication skills, strong action orientation and the commitment to collaborative working. In return, the organisation offers unrivalled opportunities for personal growth and career development in the long term.

Interested parties should in the first instance forward a CV and details of their reward expectations to Joanna Adolph (Management Accountant) e-mail: joannaadolph@michaelpage.com or Jim Richardson (Senior Compliance Analyst) e-mail: jimrichardson@michaelpage.com at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 3426. Telephone 0171 269 1840. Please quote reference 429805.

Michael Page
CITY

London · New York · Paris · Amsterdam · Frankfurt · Milan · Madrid · Hong Kong · Singapore · Sydney

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# why compromise... the answer is crystal clear

**Finance Director** Information Systems & Services

*Managing expansion and growing the brand!*

*East Midlands based - circa £50k package plus share options*

Delta ... possesses all the key ingredients of ... a market leading product, ... quality customer base and ... good enough to join the ...

... while a product arrives ... going to revolutionise ... for Windows is such ...

... now require a Finance ... manage the ... of a ... increase ... turnover ...

An ... opportunity exists for the ... who can deliver practical solutions in the ... term, commercial leadership in the mid-term and strategic vision in the long term.

Organisational ... technical competence ... for granted ... application and ... are ...

... successful ... Chartered ... experience of the ... possessing a "can-do" ... with the attributes of drive, adaptability and ...

To apply, please ... with a full CV to: ... Managing Director.

crystal SOFTWARE

Delta Business Computing, 225 Station Road, Langley Mill, Nottingham NG16 4AF

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EASTERN GENERATION

## Senior Project Managers

Opportunities throughout Europe
*in particular*
Spain & Germany

*Excellent packages*

Hays

# The *power* in *energy* in *Europe*

*Eastern Generation, part of Eastern Group plc, is one of the leading integrated energy businesses in the UK. Now owned by Texas Utilities, a global organisation with interests in the United States, Australia, Asia and Europe, Eastern Generation is extremely well-placed to further develop business ventures abroad. Building upon its strength in the UK, Eastern Group is now channelling investment into developing power generation projects overseas, primarily in Europe. Significant investment has already been made and the Group now seeks to strengthen its team and establish two new offices in Spain and Germany – to maximise business opportunities in these regions.*

These roles offer enormous scope for challenge and variety and the emphasis will vary depending on the nature of each project, but typically will include:

- Investigating new business contracts
- Investment appraisal
- Financial modelling
- Assessment of proposed business ventures
- Project management and contract negotiation
- Strategic risk analysis
- Securing project finance
- Presentation of business plans to Eastern Generation Board

Immediate opportunities exist within Frankfurt and Madrid, where you will work as part of the local management team, whilst maintaining close contact with the Eastern Generation Board in the UK. Further opportunities may become available throughout the network of European offices.

Eastern Generation is keen to meet highly focused, commercial individuals capable of building the generation business in Europe profitably. Experience sought includes:

- Professionally qualified applicants of graduate calibre, your background could be either in project management, project finance, contract negotiation or investment appraisal
- You should be fluent in a local European language.
- Ideally, you will have experience of the energy sector, or alternatively you may have experience of living and working overseas.
- Undoubtedly you will have broad commercial experience where you can demonstrate a high degree of credibility in working with senior management; a high degree of self-motivation and initiative will be essential.

This is your opportunity to be part of a highly successful worldwide group. The opportunity to build and influence the business within this intensely competitive and highly exciting industry is unparalleled. In return, Eastern Generation can offer you variety, autonomy, continued career advancement and a highly competitive remuneration package.

To learn more about these opportunities, please send your cv to Lynn Walters or Nicola Bridges at Hays Executive, James House, 46 St Andrews Street, Cambridge, UK, CB2 3AE. Fax: 01223 362399. An information pack will be available. Interviews will take place in the UK, Spain and Germany. Eastern Generation is an equal opportunities employer.

Hays Executive
STRATEGIC SEARCH & SELECTION

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The Marylebone Cricket Club

# HEAD OF FINANCE

COMPETITIVE PACKAGE INCLUDING CAR & BENEFITS/BASED AT LORD'S

Our client is the leading private cricket club in the world. The MCC owns Lord's Cricket Ground, stages international, first-class and other matches, organises a large programme of domestic games and has high level input into cricket nationally and internationally.

**THE POSITION**

- Reports to the Secretary and administers the Finance and Estates Committees. Responsible for the club's financial affairs, including developments relating to the club's property and substantial building projects. Provides commercial leadership on all operational activities.
- Management of a small team. HR responsibilities for 100 full-time staff. Oversight of IT department.
- Considerable exposure to senior figures in industry and finance on club committees.

**QUALIFICATIONS**

- Highly experienced, qualified accountant with experience of financial control, IT and treasury in service businesses.
- Mature person with stature, comfortable working within the culture of a private members' club.
- Ability to relate to people at all levels. Strong interest in cricket.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details with a covering letter explaining your suitability for the role and quoting reference 980610, to Fiona Jobson, SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

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Outstanding Opportunity in Global Financial Services Firm

# EQUITY COMPLIANCE MANAGER

EXCELLENT PACKAGE/LONDON

Our client is a market leader in each of its three primary businesses - securities, asset management and credit services. The integrated Law and Compliance team is seeking an exceptional candidate to join its department in London.

**THE POSITION**

- High-profile role responsible for advising on issues and activities with compliance implications arising in the Equity Division.
- Specific focus on cash and derivative products in the domestic and international markets.
- *Opportunity to work within a challenging*, team-driven environment at the very forefront of new product development with team management responsibilities.

**QUALIFICATIONS**

- Impressive academic record, likely to include a chartered accountancy, legal or other business qualification.
- At least five years' experience gained in a compliance related environment or relevant areas such as Internal Audit, Consultancy, Financial Control, Risk or Capital Markets. Strong product knowledge and familiarity with SFA, LSE and other relevant rules.
- Excellent judgement and rigorous analytical *skills. Team player and self-starter.* Ability to meet deadlines and work successfully with senior management. Superb communicator. Detail focused.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting ref: 980608, to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

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aiwa

**AIWA is known throughout the world for high quality audio visual products. The global nature of the organisation has meant that international markets are continually being developed, with 86% of sales and 90% of production outside of Japan. Turnover within the European market is planned to more than double by the year 2000. European operations are based in the UK, Germany, France and The Netherlands, with distributorships throughout both Western and Eastern Europe.**

**The drive for greater synergy between these operations has led to the creation of a UK based shared services function, which will offer value-added support to the group on a pan European basis. Key to the success of this team are the appointments of a Financial Controller and a European Treasurer.**

*West London*

## European Financial Controller

***c. £50,000 + Car + Benefits***

Reporting to the Director and General Manager your responsibilities will encompass:

- Motivating and developing a professional finance team.
- Implementing systems and controls on a pan European basis.
- Overseeing the management reporting and budgeting process.
- Building relationships with Senior Management both at Head Office and regionally.

Requirements:

- Graduate calibre, qualified accountant with at least 3 years PQE, gained in a commercial environment.
- Strong commercial awareness with the ability to liaise, influence and initiate change at all levels.
- Systems implementation and/or project management experience, with exposure to distribution and executive information systems being an advantage. *(Ref: 62041)*

## European Treasurer

***c. £40,000 + Car + Benefits***

Reporting to the Financial Controller your main responsibilities will involve:

- The negotiation of capital increases and borrowing facilities.
- Cash management to include the arrangement of transfers, placing surpluses and arranging short term borrowing.
- Monitoring and evaluation of exchange rate movement and entering foreign contracts for purposes of hedging.
- Ad hoc duties to include budgeting and business analysis.

Requirements:

- Detailed knowledge of the money markets.
- Well developed negotiation and decision making skills.
- A flexible and team orientated approach *(Ref: 62043)*

In both roles the experience of working in a multi-cultural environment and/or the ability to speak a second language would prove to be an advantage, but not essential. Interested candidates should send their curriculum vitae to Lucia Do Rosario at Martin Ward Anderson, 7 Savoy Court, Strand, London WC2R 0EL or by fax on 0171 240 8818 quoting the relevant reference. (E.mail: info@mwa.co.uk). Alternatively, telephone her on 0171 240 2233.

MWA
MARTIN·WARD ·ANDERSON·
LONDON · WINDSOR · ST ALBANS · SOUTHAMPTON ·

هكذا من الأصل

Coopers & Lybrand | Executive Resourcing

# Change Manager
## Global FMCG Leader

FLEXIBLE LOCATION — UP TO £60,000 + SUBSTANTIAL BENEFITS

This extremely profitable £multi-billion British group is the global leader in its main markets and possesses some of the world's best known FMCG brands. There is a recognition from the very top that in order to extend their sector dominance ongoing change is essential. They are consequently embarking on a dramatic transformation of the group which will also lead to real enhancement of shareholder value.

The financial change management team's mission is to demonstrably add value to change projects within the group by assisting financial line management to complete change programmes and realise tangible business benefits. This is a highly ambitious vision which seeks to transform the service capability of the function on a global scale and put in place a culture of continuous improvement.

You will be part of a small, select team reporting to the Director of Change Management responsible for the financial areas of the business. You will not project manage local change initiatives but will utilise your knowledge and experience to assist local Finance Directors develop well formed change projects. Your time will be roughly split between providing direct support to the business and researching and introducing new practices and learning.

A qualified accountant and possibly an MBA is preferred although is not essential. You will certainly be a financial manager whose abilities have already been recognised within similar multi national businesses with reputations for excellence in financial management. It is preferable that you will also have some consultancy experience which will have honed your change and project management skills. Personal qualities sought include energy, enthusiasm, strong interpersonal skills and a willingness to undertake extensive travel.

You can expect to perform this role for up to two years before moving on to a senior line role in the group. For this reason and because of the travel element of the job, relocation to near their London headquarters may not be necessary.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to David Owens, Coopers & Lybrand Executive Resourcing Ltd, Temple Court, 35 Bull Street, Birmingham B4 6JT, quoting reference D1405 on both envelope and letter.

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Price Waterhouse

# Why Compromise?

## Scope for your career, space for your life

**Based in Jeddah, Saudi Arabia** — **Attractive expatriate packages**

This privately owned company has diverse operations spanning three continents, with interests centred on agriculture, supported by the international management of both related plant and wider real estate and financial investments. The company's plans for growth and development require the remodelling of the senior finance team. With close working links to the firm's owner and Deputy Managing Director, these positions will play an essential role in providing the company with strong, effective financial control across all of its international operations.

### Finance Manager/Chief Accountant
**c.£70,000**

**Your role**
Reporting directly to the company's owner you will make a substantial contribution to business planning and financial strategy: this will range from developing banking relationships in support of strategic Treasury and asset management, right across to guidance on pricing policy and financial product design. You will have responsibility for the management and development both of your staff, and of accounting and monitoring practices and systems.

**Your background**
A Chartered Accountant, preferably with a business-related degree and at least ten years experience, you will have an impressive track record in senior finance roles that demonstrates your ability to direct the strategy and control the systems of a diverse international organisation. Internal audit experience would be desirable.

### Internal Audit Manager
**to £50,000**

**Your role**
Yours will be an international brief to develop and maintain an internal audit function looking after the accounting, financial, business and operational control systems of all operations and ensuring the provision of valid management information across three continents.

**Your background**
A Chartered Accountant, you will have gained substantial audit experience within either a leading professional firm or the finance function of a major, internationally-based organisation. Investigative by nature, you combine sharp analytical abilities with the exceptional interpersonal and diplomatic skills of a true problem solver.

The high profile of these positions provides excellent opportunities for committed finance professionals to enjoy real variety within a challenging and dynamic multi-cultural background, as well as enjoying a generous range of expatriate benefits and a package that will fully reward your abilities and experience.

For an informal discussion on either role call David Hunter on (44) 171 939 3661 or James Greengrass on (44) 171 939 2514, or write to them at:

**Executive Search & Selection,** Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY.
Fax: 0171 378 0647. Email: David_Hunter@Europe.notes.pw.com

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CABLE & WIRELESS

# A Real Global Tax Practice

Very Competitive Salary — London

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# From lowly inn to shrine

Mahler's humble birthplace is being lovingly restored as a state-of-the-art recital hall, writes **Judith Hendershott**

Gustav Mahler once said: "I am three times homeless – as a native of Bohemia in Austria; as an Austrian among Germans, and as a Jew throughout the world. I am everywhere an intruder, never welcomed."

Mahler was in fact born on July 7 1860 in the tiny village of Kaliste, in what is now the Czech Republic, a place unchanged for centuries, where cows graze near the village square and the only sounds to be heard are birdsong and barking dogs.

Two years ago Mahler's Czech countrymen launched an appeal to restore his birthplace, a humble coaching inn located in this sleepy corner of the Bohemian-Moravian uplands, 90 kilometres south-east of Prague. After raising half the funds needed for the project, building works began in April. *The first stage of the* renovation will be completed in August: a state-of-the-art recital hall and a restaurant-cum-pub decorated in 1860s Austro-Hungarian Empire style.

On September 19 the *American baritone Thomas* Hampson will open the 200-seat chamber hall with a benefit recital of Mahler's *Des Knaben Wunderhorn*, a song cycle based on Bohemian folksong.

Hampson is one of several international artist celebrity benefactors supporting the restoration of the Mahler birth house. Czech soprano Gabriela Benackova is a leading artistic donor, along with Hampson, American conductor Gilbert Kaplan, *Czech violinist Vaclav Hudecek*, and British musicologist Donald Mitchell, via the Benjamin Britten Estate.

**The Mahler project has been an object lesson in careful planning and frugal management, with all those involved donating their services**

The success of the project has been a testimonial to the dedication of the Mahler foundation organisers, a trio *of former Supraphon* record company executives: ex-managing director Jiri Stilec, producer Jana Cerna, and public relations director *Vladan Drvota*.

For the past three years they have donated their time free to bring to fruition Stilec's vision of "a Tanglewood *in the Czech Republic*". Stilec said: "We will have things connected with Mahler *in Bohemia*, but this will not be a museum. We want to bring life into this place the year round."

In addition to the chamber recital hall and restaurant which open in September, the Mahler foundation (patrons Benackova and Hudecek) intends to build a small hotel annexed to the *coaching inn, which will provide* overnight accommodation for pilgrims to the Mahler birthplace, due to open in July 1999. Building works on the infrastructure of the whole complex have already begun.

The Mahler project has been an object lesson in careful planning and frugal management. There have been no paid employees, all those involved donating their services in their spare time. No building works began *until the funds* to cover the costs were in place. All expenses are being met *through business sponsorship* and private donations.

*Government support* was sought in the beginning, but turned down, so that the project is not subject to political changes and bureaucratic whims as was the case in the recent Handel House debacle, where *Heritage Lottery Fund* dithering resulted in the downgrading of ambitious plans to establish a Handel House Museum in London.

The Mahler foundation has been fortunate in having for three years the support of *Opel C & S, the Czech-based* branch of the German car manufacturer, itself a subsidiary of the US company General Motors. Now that *the first stage of the renovation* is nearly complete Opel is set to become the project's "general sponsor", along with Panasonic Technics of the Czech Republic.

Opel's Czech director, Josef Blecha, who has worked in Toronto and New York, said: "I passionately believe in the mission of industry to improve society. For an understanding of Mahler's music one must come here: Mahler's melodies follow the lines of the landscape, with its ponds, *forests, rolling hills*, marshes, fields and meadows."

Mahler's house in the sleepy village of Kaliste: the 200-seat chamber will open in September

A queue of other companies based in Prague, Brno, *Jihlava (where Mahler lived* from the age of three months to 15 years), Cesky Krumlov, and Humpolec is vying for "principal" sponsorship of the second stage of the renovation project; their shareholders seem more eager to be associated with this prestigious project than the shareholders of the Manchester-based Cooperative *Insurance Society*, which withdrew its offer to sell its Brook Street property, where Handel lived the last 36 years of his life, to the *Handel House Trust*, "because of obligations to its shareholders".

Relations between the local villagers and the Mahler foundation are at a sensitive stage because of possible problems over the environment and delicate ecology of the area. Stilec said: "We must preserve the character of this traditional *Czech village. Kaliste's* young mayor, Jan Rod, has been very helpful."

The foundation (called Musica Noster Amor – "*Music, Our Love*") intends to make the recital hall available as a ceremonial venue and for community use of the local people. A studio for composers' workshops, featuring both Czech and non-Czech composers, is planned, as well as a music school for vocal master classes. It is hoped a large concert hall will eventually be *built on the site of Mahler's* father, Bernhard's, now-derelict brandy distillery.

"We want to establish a connection between the world *and the Czech Republic*, as Mahler was a cosmopolitan, international person, and music is an international force", said Stilec. It is a fitting tribute to a man who saw himself as a wanderer.

**OPERA IN MUNICH**

# Shakespeare heard with different ears

**Andrew Clark** on the premiere of Manfred Trojahn's operatic version of 'Twelfth Night'

The Germans love their Shakespeare – *with the* emphasis on "their". The Bard speaks to all men, but they hear with different ears. And the latest Shakespeare to reach German ears is *Was Ihr Wollt*, Manfred Trojahn's operatic version of *Twelfth Night*. Commissioned by Peter Jonas for the Bavarian State Opera in Munich, it has just been premiered to a generally warm response from public *and critics*.

Trojahn, born in 1949, represents the acceptable face of modern German music. He is not overly cerebral, nor does he go out of his way to make his music accessible. As his Pirandello opera, *Enrico* (Munich 1992), illustrated, he knows how to entice the ear and characterise a dramatic situation. He also has the ability rare among living composers, to write fast music – and orchestras enjoy playing it. In short, he knows how to entertain.

The fact that I was disappointed by *Was Ihr Wollt* does not mean I think the piece is intrinsically flawed. *The Munich production* – directed and designed by Peter Mussbach, with costumes by Andrea Schmidt-Futterer and lighting by Konrad Lindenburg – was so unfunny, so androgynous and clever-clever that the work barely *stood a chance*. It was only after shutting my mind to the inanities of the staging that I had a chance to appreciate the telescopic qualities of Claus Henneberg's libretto and Trojahn's quick-cut musicking *of each scene. The piece* lasts barely 100 minutes, but the core of Shakespeare's *text is preserved, and treated* to music which is never less than buoyant or nuanced.

Henneberg, who died earlier this year, was the most sought-after librettist of his generation – his previous Shakespeare adaptations include Reimann's *Lear* – and his experience shows in *Was Ihr Wollt*. He and Trojahn *have fastened on* to the bitter taste of the comedy, bringing out the *Schadenfreude*, the irony, the sense of uncontrollable metamorphosis. Instead of mirth and self-fulfilment, we find a tale of fateful misunderstandings and unfulfilled desires.

**At least the music made sense, thanks to a cast capable of responding to its flights of fancy**

There is no tying of loose ends before the Clown's epilogue, no circle of reconciliation, no idealised love and happiness. *That leaves the* piece curiously open-ended, as if *Was Ihr Wollt* – the *German translation of* Shakespeare's subtitle "What You Will" – has been taken at face value. The audience is left to decide whether the characters are capable of accepting their own and others' real identities, or whether they end up isolated, as Mussbach's staging implied.

*Trojahn's starting-point is* Olivia's appeal to fate – "show thy force". Before a word is *sung, a storm runs* through the orchestra and returns at strategic intervals, reinforcing the idea of puppet-like characters in the control of a stronger power. But Falstaffian overtones are equally present – not just in the size of Trojahn's orchestra, with only a few extra percussion to distinguish it *from Verdi's, but in the brio* he brings to scenes involving Sir Toby and Sir Andrew.

Viola becomes a flighty coloratura, Malvolio a Beckmesserish pedant. Orsino gets the best music of all: "If music be the food of love", transposed to the third scene, is a dreamy tenor nocturne with piccolo and cor *anglais, and his introspective* Act 2 soliloquy about "the beating of so strong a passion" has the character of an Elizabethan lament, intensely beautiful and sad. Trojahn is equally alert to the subtleties of Viola's dialogues with *Orsino* and *Olivia*, and there is a fantastical quality to the score which would equally suit *A Midsummer Night's Dream*.

I can only hope another theatre will give *Was Ihr Wollt* the staging it deserves. Mussbach, *one of the looser* cannons on the German operatic scene, placed the *action on a giant outcrop of* moonrock. Bathed in constantly changing colours, it was one of those sets which supposes an "idea" – a sense of inter-personal dislocation, perhaps? – and hijacks the drama. With many of the exchanges stranded upstage and characters struggling to pick their way around the *surface, the dialogue inevitably* suffered. Sir Andrew and Sir Toby were foppish clowns, lending the comic ensembles an improvisatory air more *appropriate to* Zerbinetta's strolling players. Olivia and Malvolio looked like dolls in stylised oriental costume – we've seen this once too often – and the *only characters of definable* sexuality were a decrepit Antonio and a Clown in top *hat and tails*.

At least the music made sense, thanks to Michael Boder's easy command of its mercurial idiom and a cast *capable of responding* to its flights of fancy. Rainer Trost was the noble Orsino, Iride Martinez the nightingale-like Viola. Against the odds, Dale Duesing managed to convey *some of Sir Toby's* rich personality, while Jeanne Piland's Olivia, Jan Zinkler's *Malvolio* and Julie Kaufmann's Maria, among others, contributed a strong sense of ensemble. In a less artificial staging, they might have emerged more sympathetically than the brutal misfits they resembled here.

*Hijacked by designer moonrock: Iride Martinez (left) and Jeanne Piland as Viola and Olivia*

**POP** TOM WAITS

# Pick of the Island years

The word "compilation" is derived from the Latin verb "compilare", to plunder or plagiarise, an etymological *association that record* companies frequently illustrate. Back catalogues are cheerfully ransacked, swift cut-and-paste operations are performed on current chart hits. However variable the result, the compilation album's value lies in its being cheap to produce and quick to take recompense.

One therefore approaches Tom Waits' *Beautiful Maladies: The Island Years*, a 23-track compilation surveying the material Waits has produced for Island Records between 1983 and 1993, with some wariness. But Waits is notoriously antipathetic to commercial exploitation. Having chosen the tracks on *Beautiful Maladies* himself, his presence provides some justification to the enterprise. *More important*, Waits' first recordings for Island witnessed a marked development in his musical direction.

Three albums provide for the bulk of the compilation: *Swordfishtrombones* (1983), *Raindogs* (1985) and *Franks Wild Years* (1987). This loosely-formed trilogy saw Waits incorporating a wider array of instrumentation, particularly percussive, to his musical repertoire; while his songwriting began to engage more acutely with the melancholia and nostalgia that have vivified his work since 1973's *Closing Time*.

The 15 songs from these albums, alongside the eight from subsequent recordings, have been arranged by Waits to allows inter-album associations of mood ("Cold, Cold Ground" and "November", say); and theme (the rumbustious crew of "Shore Leave" succeeded by the lovelorn sailor of "Singapore"). The closing tracks, "I Don't Wanna Grow Up" and "Time", provide an ideal encapsulation of Waits' twin propensities for the escapist and the maudlin.

*Beautiful Maladies* showcases the note that Waits strikes between the romanticised and the romantic. From rain-lashed ballads to neon-lit lowlife, music and lyrics combine to evoke an

**Waits' music and lyrics evoke an America as seductive as it is fictive**

*America as seductive as it is* fictive. Over the patter of congas, the wheeze of accordions and a blur of horns and guitars, Waits' broken-glass baritone conjures a world in which cuban heels click-clack, bourbon gets knocked back, the innocent slumber and the damned brawl.

Waits glories in anachronism, whilst avoiding conservatism. Taking dime store subjects, he invests them with music and lyrics of the *highest worth*.

It is inevitable that Waits' choice of songs must exclude personal favourites; however, the overall standard of his work is such that only a churl could grumble.

**Ludovic Hunter-Tilney**

INTERNATIONAL

# Arts Guide

## AMSTERDAM

**OPERA**
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
Siegfried: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Jun 21

## BELFAST

**DANCE**
**Grand Opera House**
*Tel: 44-1232-241919*
The National Ballet Company of Latvia: The Sleeping Beauty. With the orchestra of Latvian National Opera and Ballet; Jun 19, 20

## BERLIN

**CONCERTS**
**Konzerthaus**
*Tel: 49-30-203090*
● Berlin Symphony Orchestra: conducted by Kurt Sanderling in works by Mozart and Beethoven; Jun 19
● Rundfunk-Sinfonieorchester Berlin: conducted by Rafael Frühbeck de Burgos in works by Mozart. With bassoon soloist Alexander Voigt; Jun 20, 21

**OPERA**
**Deutsche Oper**
*Tel: 49-30-34384-01*
● *La Gioconda: by Ponchielli.* Revival conducted by Marcello Viotti in a staging by Filippo Sanjust; Jun 24
● Manon: by Massenet. New production *conducted by Jiři Kout* in a staging by Cesare Lieve. With sets by Margherita Palli and costumes by Luigi Perego; Jun 23
● Werther: by Goethe. Concert performance conducted by Alain *Guingal; Jun 20*

## BOLOGNA

**OPERA**
**Teatro Comunale**
*Tel: 39-51-529 999*
*www.nettuno.it/bo/teatrocomunale*
Don Giovanni: by Mozart. New production conducted by Daniele Gatti in a staging by Gianfranco de Bosio, with *designs by Pasquale* Grossi; Jun 20, 21, 23, 24

## BRUSSELS

**OPERA**
**La Monnaie**
*Tel: 32-2-229 1211*
● Don Pasquale: by Donizetti. *New production conducted* by Philippe Jordan in a staging by François de Carpentries on the *Lunatheater stage*; Jun 19, 21, 23, 24
● The Turn of the *Screw*: by Britten. New production conducted by Antonio Pappano in a staging by Keith Warner, *with designs* by Stéphane Lazaridis. Cast includes Susan Chilcott and Anthony Rolfe Johnson; Jun 19, 21, 23

## LEEDS

**OPERA**
**Grand Theatre**
*Tel: 44-113-222 6222*
● *Opera North: Joan of Arc*, by Verdi. New production by Philip Prowse, conducted by Richard *Farnes with a cast headed by* Susannah Glanville and Arthur Davies; Jun 23
● Opera North: Eugene Onegin, by Tchaikovsky. New production by Dalia Ibelhauptaite, conducted by Steven Sloane. The cast is led by Alwyn Mellor and Peter *Savidge; Jun 24*

## LONDON

**CONCERTS**
**Wigmore Hall**
*Tel: 44-171-935 2141*
● Martá and György Kurtág: piano recital given by the composer and his wife, of pieces from Jatetok (Games) inspired by children's play; Jun 23
● Simon Keenlyside: recital by the baritone of works by Debussy, Strauss, Glazunov, Rachmaninov and Mahler. Accompanied by Malcolm Martineau; Jun 20

**DANCE**
**Barbican Theatre**
*Tel: 44-171-638 8891*
The Royal Ballet: triple bill comprising Ninette de Valois' The *Rake's Progress*, Ashton's *Birthday* Offering, and a new work by Ashley Page; Jun 19, 20

**EXHIBITIONS**
***National Portrait Gallery***
*Tel: 44-171-306 0055*
High Society: Edwardian *Photographs. A collection of studio* portraits, reprinted from a recently rediscovered cache of original negatives. Subjects include Lloyd George, Winston Churchill and *Lillie Langtry; to Jun 21*

**Tate Gallery**
*Tel: 44-171-887 8000*
Turner and the Scientists: An Artist in Two *Cultures*. Display demonstrating the importance of Turner's relationship with his *scientific contemporaries*, and the impact on his work of new technologies; to Jun 21

**OPERA**
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
● Carmen: David Ritch and John *La Bouchardière direct a revival* of Jonathan Miller's production, conducted by Noel Davies. The title role is sung by Sally Burgess; Jun 19, 23
● Doctor Ox's Experiment: world premiere of a new opera by Gavin Bryars, with a libretto by Blake Morrison, after Jules Verne. The production is directed by Atom Egoyan, with sets by Michael Levine and costumes by Sandy Powell. Cast includes Bonaventura Bottone; Jun 20, 24

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Evgeny Kissin: recital by the pianist of works by Beethoven, Brahms and Liszt; Jun 22
● London Symphony Orchestra: conducted by Bernard Haitink in *works by Mozart and Strauss*; Jun 21
● *Munich Philharmonic Orchestra*: morning chamber concert of works by Mozart, Dohnányi and Brahms; *Carl-Orff-Saal; Jun 21*

## NEW YORK

**EXHIBITION**
**Guggenheim Museum**
*Tel: 1-212-423 3500*
*www.guggenheim.org*
*Vilhelm Hammershoi (1864-1916)*: Danish Painter of Solitude and Light. Retrospective seen in *Copenhagen and Paris* last year, comprising 60 works by this relatively unknown contemporary of Munch. Includes portraits and landscapes as well as interiors, many of which depict the rooms of the artist's home; from Jun 19 to Sep 7

## NOTTINGHAM

**OPERA**
**Theatre Royal**
*Tel: 44-115-989 5555*
Opera North: Eugene Onegin, by Tchaikovsky. Touring production by Dalia Ibelhauptaite, conducted by Steven Sloane; *Jun 19*

## PARIS

**EXHIBITIONS**
**Musée d'Art Moderne de la Ville de Paris**
*Tel: 33-1-5367 4000*
La Collection du Centre Georges Pompidou: 200 works from the Musée National d'Art Moderne, displayed here during the period of its closure; to Sep 13

**Musée du Louvre**
*Tel: 33-1-4020 5151*
*www.louvre.fr*
● Astronomy and Astrology in the Islamic World: display of *instruments developed by Arab* astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; from Jun 19 to Sep 21
● Bassano and His Sons: works by the Venetian painter Jacopo Bassano (1510-1592) and his sons. The display brings together works owned by the Louvre with loans *from other French museums*; from Jun 19 to Sep 21

**OPERA**
**Opéra National de Paris, Opéra Bastille**
*Tel: 33-1-4473 1300*
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Cast includes Ramon Vargas; Jun 19, 22

## ROME

**EXHIBITION**
**Palazzo delle Espozizioni**
*Tel: 39-6-474 5903*
*Lucio Fontana*: retrospective of the Italian artist best known for the series of "Spatial Concepts" produced in the 1950s and 1960s; to Jun 22

## VIENNA

**CONCERT**
**Musikverein**
*Tel: 43-1-5058 6810*
London Symphony Orchestra: conducted by Bernard Haitink in works by Mozart and Strauss; *Jun 20*

## YOKOHAMA

**EXHIBITION**
**Sogo Museum of Art**
*Tel: 81-45-465 2361*
Aubrey Beardsley: touring display *of more than 200 drawings, prints*, posters and books created during the brief period of the artist's fame, *organised* to mark the centenary of his tragically early death; from today until Jul 20

## TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**
● **CNN International**
Monday to Friday, GMT:
**06.30**: *Moneyline with Lou Dobbs*
**13.30**: *Business Asia*
**19.30**: *World Business Today*
**22.00**: *World Business Today Update*

● **Business/Market Reports**: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

# A European script

## The EU has lost it way since the fall of the Berlin Wall. Its future should be as a pillar of stability in a dangerous world

The European Union needs a new script. This much we know. At best the Union is viewed as remote, at worst as an insidious plot to dissolve the identity of the nation state. Its leaders are navigating without a compass. They have been lost since the fall of the Berlin Wall.

The era of big European government is over. So the prime ministers and presidents of the 15 told us at this week's Cardiff summit. The prerogatives of the nation state are to be reasserted. Subsidiarity, a leitmotif as inelegant as it is ill-defined, will henceforth reinforce, if not redraw, the boundaries between Brussels and national capitals.

Watching from the sidelines, some of us felt rather sorry for John Major. The former British prime minister, it seems, had had the misfortune to be ahead of his time when he first wrote the concept of subsidiarity into the Maastricht treaty.

Yet now, as then, a public beating of breasts revealed more confusion than conviction. Sure enough, Helmut Kohl donned Margaret Thatcher's mantle to demand his money back from Brussels. But you could see his heart was not in it. The wounded lion of European politics will not easily surrender his belief that Germany's destiny lies in ever closer union with its neighbours. Defeat in the election in September will come with honour.

Called to answer what has gone wrong with the project of integration, Jacques Chirac was less convincing still.

Brussels, he declaimed in ever-so-solemn tones, must never again seek to interfere in the allocation of tickets for the World Cup final. Thus will France recreate *L'Europe des états.*

I am being unfair. But not too much so. Last month 11 of these 15 governments launched the euro. Economic and monetary union was hailed as the biggest leap in the direction of integration since the common market's founding conference at Messina. Here at last was the fulfilment of Jean Monnet's distant dream.

Thus not so long ago Mr Kohl proclaimed the single currency as the springboard for political union. Even now, France speaks of the Euro-11 council of finance ministers as an embryonic economic government, the essential counterweight to EMU's new cadre of unaccountable central bankers.

I cannot be alone in detecting a certain paradox between a one-size-fits-all economic policy and the dispersal of authority to nations and regions.

The purpose here, though, is not to ridicule the notion of subsidiarity. Shorn of the cheap populism that sees the Brussels Commission as an easy scapegoat, there is a serious purpose behind closer delineation of the respective roles of the Union and national governments.

It confronts a problem that is real as well as perceived. Europe, as each leader at the summit warned, is now a serious vote loser. Extremists of left and right in France have profited handsomely from their strident euroscepticism. The challenge to Mr Kohl from Gerhard Schröder's SPD is none-too-subtly framed around a promise to put Germany first. Ireland's vote on the Amsterdam treaty showed a distinct cooling even in that country's ardour for Brussels.

So subsidiarity (a bottle of champagne goes to the reader who can think of a better word) offers reassurance that Europe is about more than an avalanche of vexatious regulations. Devolution of power responds also to a deeper popular disenchantment with the process of politics.

Here, though, we are talking about the style as well as the scope of decision-making. Those who take the trouble to read the Cardiff communiqué will discover that the leaders actually strengthened their mutual commitments. Detailed surveillance arrangements for national economic policies and employment programmes take them three-quarters of the way to economic union.

What is different, of course, is that the co-ordination rests on peer pressure rather than European statute. Nations may be admonished by their partners (and punished by the markets) for breaking the rules of the club but edict from the centre has been displaced by recognition of mutual interest. Britain's Tony Blair markets this as common sense Europeanism.

Doubtless some of the Union's barmier regulations can be repealed in the name of subsidiarity. And the Commission could pay closer attention to Jacques Santer's admonition to do less better. Governments should inject greater transparency into the Union's labyrinthine process of decision-making – though that, of course, would make it harder for national politicians to visit their own sins on the Brussels bureaucrats.

It is at this point, though, that the Union's leaders risk deluding themselves. Subsidiary, devolution, call it what you will, is useful in disarming nationalism. It will not provide a script to replace the one lost in the rubble of communism. That demands positive vision rather than a disorderly retreat.

European integration was founded on the reality that the pooling of national sovereignty delivered something tangible. It hardened Nato's guarantee of peace and offered a route map to prosperity. The collapse of communism has fed the rising perception that Europe's institutions have lost their purpose – they inflict themselves on the peoples of the continent instead of serving them.

It need not be so. The end of the cold war has simply confronted the Union with a different set of perils. Bosnia and Kosovo are chilling reminders of the dangers to the east. Algeria is an ever-present warning of instability in the Mediterranean.

Beyond such particular examples lies the daily evidence that economic migration, crime, drugs trafficking and environmental pollution have no respect for national sovereignty. Nor, of course, do the unforgiving capital markets that dominate the global marketplace.

It is around these issues that there is a vision to be framed of the Union as a pillar (not a fortress) of stability in a dangerous world. And, curiously, it is Mr Blair who has grasped this. The sullen resentment that permeates British attitudes has taught him that what Europe might do more of counts for as much as what it might do less of.

Those who listened carefully in Cardiff heard Mr Blair pressing the case for tighter co-ordination of foreign policy and for joint action against the menaces of drugs and crime. Had he been asked, he would have made the case too for a radical restructuring of Europe's defence industry and for closer collaboration in science and research.

For all the love affair with Bill Clinton, we are beginning to see the European in Mr Blair. How ironic it would be if he emerged as principal author of its new political narrative.

# LETTERS TO THE EDITOR

## Losing ideal structure

*From Mr Ian Stern.*

Sir, It is interesting to read that Goldman Sachs is likely to abandon its partnership structure ("Goldman looks set to announce stock market launch", June 15). It seems to me that this structure resolves a fundamental conflict in investment banking, that of balancing the rewards for the employees as risk takers and the shareholders as risk underwriters.

The partnership structure means that the same people are both risk takers and underwriters, thereby creating an intrinsic risk control. It seems unlikely that Goldman's stature and track record in investment banking are not, to a large degree, based on this link and I wonder how that stature and track record will fare in the future.

Ian Stern,
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## The lesson according to Soros on capital flows

*From Mr Mark de Speville.*

Sir, Martin Wolf ("Ins and outs of capital flows", June 16), in his synthesis of the various explanations for the Asian crisis, is hardly the first to draw the conclusion that "countries must never combine ill-regulated financial systems with capital liberalisation". Leaving aside similar recent comments from numerous armchair coroners of Asian economies, an identical warning on the dangers of uncontrolled financial globalisation was made by George Soros some 13 years ago in his *Alchemy of Finance.*

In this difficult to read, but highly intelligent and prescient book, Mr Soros – the world's most notorious currency speculator and at the same time one of its greatest philanthropists – identified the factors that made currencies most attractive to speculators (such as artificial currency bands) while proposing ways for governments to make them less vulnerable to attack. The statement by Mr Soros that struck me as particularly prescient was (and I quote from memory): "I believe that the globalisation of capital flows will, in hindsight, come to be seen as one of the greatest threats to economic stability since the oil shocks of the 1970s."

So here is yet another example of today's generation learning belated lessons from mistakes their elders have warned about. Unfortunately, I cannot claim to be an exception, having read Mr Soros's book just six months ago – too late to help salvage my mangled stock holdings in Indonesia (where I worked as equity analyst from 1991 to 1995).

Marc de Speville,
Latin American equity analyst,
Robert Fleming Inc.,
320 Park Avenue,
New York, NY 10022, US

## UN failing at prevention

*From Mr Peter Seilern.*

Sir, in his article "Beyond Nuremberg" (June 16), Kofi Annan, the United Nations secretary general, does not exactly inspire confidence. Instead of advocating what he calls a properly constituted international criminal court as the "best way of dealing with genocide", Mr Annan might do better to make sure that the UN does what is necessary to prevent genocide and other crimes against humanity being committed in the first place. Such opportunities have presented themselves with deadly regularity in recent years and the UN's record in preventing massacres is shameful. At the time of Mr Annan's writing, a new opportunity to prevent ethnic cleansing has arisen in Kosovo. It will be interesting to observe what Mr Annan intends to do about it.

Advocating international tribunals is no substitute for crime prevention and will only succeed in soothing the consciences of those who failed to prevent the crimes.

Peter Seilern,
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## Dayton agreement must be undone

*From Mr Michael Crowe.*

Sir, Neither the wooden moralising of Carl Bildt (Personal View: "Deja vu in Kosovo", June 9), nor the anti-Serb diatribe of Philip Stephens ("Europe's dark side", June 12) mentions the fundamental error in European policy that led to the present tragedy in Kosovo.

This was the insistence by the European Union and Nato that the internal boundaries of the collapsing Yugoslav federation be transformed into hard and fast international borders without any adjustment to ethnic realities or right of self-determination for minorities. This is what the Bosnian civil war was about: the refusal of the ethnic Serb region of Bosnia to join the new Moslem-dominated state, and Nato's insistence that they be forced to, rather than staying with rump Yugoslavia to form a demonised "greater Serbia".

The Dayton agreement was the consecration of the immutability of absurd borders and the denial of the right of self-determination. Having refused self-determination to ethnic Serbs, Nato can hardly turn round now and demand the Serbs grant self-determination to ethnic Albanians. If it manifests its anti-Serb bias, Nato will have an all-out war with Serbia on its hands, and will drive Russia into the arms of its own nationalists.

The only solution to the present mess is to undo Dayton: to call a conference of all the states of the region and work out a new deal based on self-determination. That will mean granting the Serbs of Bosnia and Croatia (those that have not been expelled) the right to reattach their regions to rump Yugoslavia and create the Serb nation they have a legitimate right to. Only on these conditions will the Serbs be persuaded to part with Kosovo. If you try to deprive the Serbs on both counts – both of ethnic Serb regions outside their borders, and also of non-Serb regions inside their borders – then there will be an explosion of Serb nationalism that even the cynical Slobodan Milosevic will be unable to control.

Michael Crowe,
13 rue Fontenette,
Geneva, Switzerland

## Hardly correct in any way

*From Ms Theresa Hamacher.*

Sir, "[BT] has finally lifted the skirt on its European operations and revealed a shapely pair of legs" (Lex column, June 13-14).

Americans have been accused of being too "politically correct", but how is this metaphor appropriate to business?

Theresa Hamacher,
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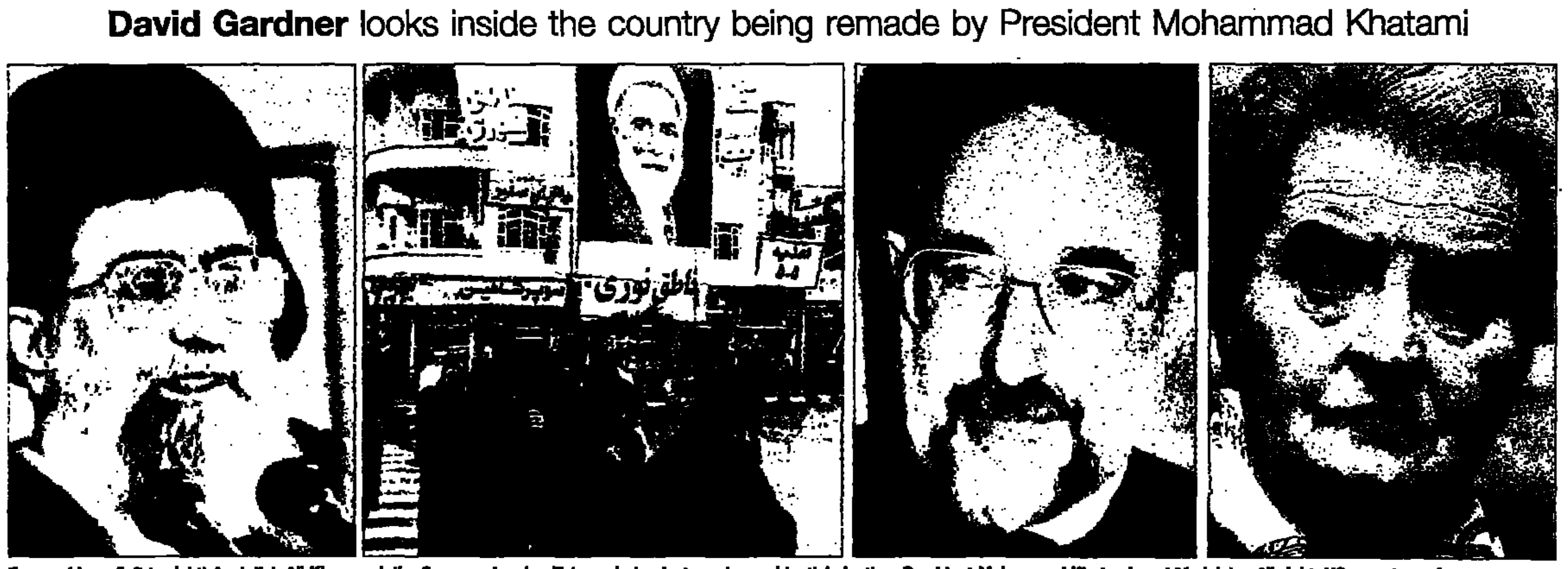
*We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.*

# A new road map for Iran

## David Gardner looks inside the country being remade by President Mohammad Khatami



*Faces of Iran: (left to right) Ayatollah Ali Khamenei, the Supreme Leader; Tehran during last year's presidential election; President Mohammad Khatami; and Madeleine Albright, US secretary of state*

Madeleine Albright, US secretary of state, this week urged Iran and the US to draw up a "road map" leading to normal relations. But is the Iran of today open to such overtures? The answer to this question is a qualified yes.

In the year since Mohammad Khatami's election victory over the candidate groomed by the conservative leaders of the Islamic revolution, the president has transformed the atmosphere of Iran. Just as noticeably, he has changed the country's image in the eyes of its hitherto hostile Arab neighbours in the Gulf and the Middle East – breaking almost free from Washington's previous strategy of isolating Tehran as a "rogue" regime.

The scale of Mr Khatami's victory – he won 70 per cent of the vote on a turnout of 90 per cent – was a huge blow to the legitimacy of Iran's ruling theocrats. They had consolidated their position after the 1979 revolution, in the shadow of the 1980-88 war to repel Iraq's Arab and western-backed invasion, to the point where they assumed they could "pre-elect" the president.

But Mr Khatami's overwhelming win, one prominent supporter says, "was not unexpected by us", however much surprise it caused internationally. "It was abundantly clear where popular sympathies lay. The element of surprise for the hardliners was that they assumed they could fix it [the result], and this showed their complete misreading of the ambition and determination of Iranian society."

More than 20m votes, predominantly from the under-25s, who make up two-thirds of Iran's population, and from women, could not be denied. And one year on, popular enthusiasm for the 55-year-old cleric – a former culture and Islamic guidance minister forced out of office in 1992 for "permissiveness" – borders on adulation.

Last month, tens of thousands thronged into Tehran university to celebrate the first anniversary of his victory. Only after a 15-minute ovation could Mr Khatami promise them he would not be deflected from creating a freer society with a government accountable to the people. "If religion comes into conflict with freedom, then it will be religion that suffers," he warned his opponents.

Speaking earlier that week, at an international book fair overrun by Iranians keen to test the regime's Islamic correctness, the president said Iran must have "a politics free from coercion, based on human rights, popular sovereignty, the rule of law and tolerance, with respect for thought *per se*, respect and reverence for freedom [as a value in] itself".

Such beguiling calls have changed the political debate in Iran, drawing out the passion of the large majority behind reform – but at the same time provoking fear and resentment among the vested interests and competing power centres of the revolutionary regime.

In two presidential terms from 1989, attempts by Hashemi Rafsanjani, Mr Khatami's predecessor, to steer Iran towards modernisation were systematically blown off course by dogmatists in the revolution's complex power structure. As a Rafsanjani aide puts it, they "have material as well as spiritual interests to defend".

The public trial under way of Gholamhossein Karbaschi, the popular mayor of Tehran, is the current front line of that defence. Mr Karbaschi is a hard-bitten reformist, a Rafsanjani protégé and the main strategist of Mr Khatami's landslide. His trial, on what are widely seen as trumped-up charges of embezzlement, is designed to demonstrate to the government that, although it is in office, it is not in power. A popular opposition cartoon encapsulates the message by picturing Mr Karbaschi with a prison number comprising the date of the Khatami election triumph.

Conventional analysis of Iran's power structure tends to portray an Islamist fortress impregnable to change. All real power, in this view, emanates from Ayatollah Ali Khamenei, successor as Supreme Leader to the late Imam Ayatollah Ruhollah Khomenei, inspirer and leader of the revolution that replaced monarchy with theocracy. While there may be an elected *majlis* (parliament) and a directly elected president, it is mullahs appointed by the Leader who vet candidates.

Mr Khamenei controls the army, Revolutionary Guards and intelligence services, the judiciary, and foreign policy. Moreover, parastatal fiefdoms such as the *bonyads* (charitable foundations built from the assets of the shah and leading monarchists) are accountable only to him; the conservative trading community, the bazaar, is held to be in his pocket; and he controls the conventional and traditional mass media – broadcasting and the mosque.

If all this were taken at face value, the contest would be so one-sided that there would be no basis for a prolonged power struggle. It would already have been resolved, bloodily in all probability, in favour of the hardliners. Instead, the forces of Islamist reaction have managed only a ragged response, which so far amounts to random provocation more than a cohesive attempt to roll back the Khatami project.

That project is already producing tangible results. In the past nine months, for example, nearly 200 new newspaper and magazine titles have been licensed, raising the circulation of Iranian dailies by a third and readership by more. Abdollah Nouri, the Khatami-appointed interior minister, regularly sends his forces to protect dissident rallies or to ring cinemas screening controversial films. Ataollah Mohajerani, the popular culture minister trying to make Iran more habitable for its young, its women and intellectuals, makes firmly pragmatic statements like: "There is going to be elbow room in this country for those who write and research."

> **'One of the president's main objectives is to get a political structure that allows the winner of an election to take power,' as one official puts it matter-of-factly**

The *hijab* (veil) is receding well past women's hair-line, and a greater ease in public is palpable. It is, for instance, not a small matter in Iran for a couple to hold hands in the street, as many now do. The thuggish enforcers of the theocrats, Ansar-e-Hizbollah (supporters of the Party of God), are now far outnumbered by Khatami supporters in the streets. For visitors (and there are now tourists and academics, as well as reporters) it is normal to be accosted by Iranians anxious to know what "the world" thinks about Khatami's Iran.

"The level of political debate here is incomparably higher than in the rest of the Middle East," says Gholan Ali Khoshroo, deputy foreign minister, quite accurately.

Externally, Mr Khatami is busily building on the diplomatic foundations laid by Mr Rafsanjani. Relations with Saudi Arabia and the Gulf emirates are becoming strong, while Tehran has pragmatically put aside enmities with Iraq and Turkey. It should soon restore diplomatic relations with Egypt.

The "dialogue" with the European Union – ruptured by last year's Berlin court ruling implicating Tehran in the 1992 murder of Kurdish dissidents – is resuming. In a candid interview with CNN in January, Mr Khatami called for "a dialogue of civilisations" with "the great American people", to break "the wall of mistrust" between Iran and the US.

All this is held to be anathema to Mr Khamenei and his allies, supposedly interested in nothing else but continuing Khomenei's drive to "export the revolution", and whose "Great Satan" rhetoric about the US and its Israeli ally continues unabated.

Yet Washington's recent decision to waive sanctions against EU companies investing in Iranian oil and gas – opening the way to a new wave of badly needed investment – are as politically beneficial for hardliners (who claim credit for the change) as for reformers. So is Saudi Arabia's recent announcement absolving Iran of involvement in a 1996 bomb attack on US forces in the kingdom. In practice, Iran's relative opening to the world could not have gone ahead without some form of consensus.

The forum for this bargaining – the "consensus manufacturer" as one of its members describes it – is the Expediency Council, whose full, and more revealing, title is the Assembly for Diagnosing the Interests of the Regime. Headed by the still-influential Mr Rafsanjani, the council includes, as well as Mr Khamenei and President Khatami, leading conservatives such as *majlis* speaker Ali Akbar Nateq-Nouri – the candidate beaten by Mr Khatami – and Ayatollah Mohammad Yazdi, the head of the judiciary behind the Karbaschi trial.

In this key arena, Mr Rafsanjani the power-politician is a discreet but invaluable ally to the reformists, as well as a bridge to Mr Khamenei. The latter's position has been weakened by the election result and by senior Shia clerics questioning his theological credentials.

Within the council, as a leading Khatami supporter puts it, reform is being presented as "sustenance and synergy for the present system, not its subversion". So far, when factionalism has threatened serious disorder, as in the Karbaschi affair or the challenge to Mr Khamenei, the council has heeded the reformists and acted to contain it.

Nor is Mr Khatami the political novice some sceptics assume. The admirer of de Tocqueville is also the translator of Machiavelli. As one Expediency Council official puts it matter-of-factly: "One of his main objectives is to get a political structure that allows the winner of an election to take power." Thus, he moved quickly to replace all provincial governors (who control elections), some 200 political appointees in the civil service, the commander of the Revolutionary Guard, and the head of the prisons service.

The president himself prefers to fuel the public debate with ideas. He avoids openly taking sides in factional strife. There is a price for this approach; the threat of impeachment by the *majlis* hangs over the president's close associates.

Meanwhile, the first in what the reformists expect to be a stream of legal parties was approved last month. It is headed by Mr Karbaschi who, whether he is eventually convicted or not, has already emerged greatly strengthened from his trial. Pressure for constitutional reform is building, there will be municipal polls in the autumn, and new parliamentary elections – bound on current trends to favour Mr Khatami – loom in 2000. With his legitimacy beyond doubt, Mr Khatami's task now is to maintain the momentum for change.

That this could become more difficult is already emerging from the debates inside the Expediency Council on economic reform. The state, along with the *bonyads*, controls more than 80 per cent of the economy, producing some 5,000 goods and services but no new investment or jobs. The private sector is dominated by a *bazaar* biased against entrepreneurship and happy to exploit the loopholes of a rigged system. Mr Khatami's drive for accountability, as well as the pressing need to employ 700,000 new entrants to the labour force each year, is moving him inexorably into conflict with these economic fiefdoms.

"At a certain point, the man will have to take risks," says one western ambassador. "He will have to attack the conservatives on the economy and wrench it from the control of the *bazaaris* and the *bonyads*."

These vested interests are likely to prove resistant to the smiling cleric's charm. They will also make it harder to proceed down the road mapped out by Mrs Albright. Mr Khatami will be forced to draw deeper on his knowledge of Machiavelli.

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FINANCIAL TIMES

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Friday June 19 1998

# The US in the Asia crisis

If the damage done by the east Asian crisis is to be contained, the US must play the decisive role. This has been obvious from the beginning. The question is whether Washington is rising to the occasion.

The answer is yes, but only up to a point. The US has shown itself orders of magnitude more capable and responsible than Japan or the European members of the Group of Seven. That is what the world expects. It may still be insufficient.

The US authorities have to remember their country has more than a narrow economic interest in Asia's health, big though that is. Asia's dramatic economic advance demonstrated the superiority of a liberal global economy. A long slump might be equally influential, in the opposite direction.

If US interest is deep, its influence is unique. The vast Asian region is marked by mistrust among its principal players. The US is everyone's indispensable partner.

Even so, the US administration is far from omnipotent. It has to cajole an inward-looking Japanese leadership towards doing what needs to be done. It cannot even rely on the co-operation of Congress, where many believe public money should never be used to rescue countries in distress.

Yet its biggest challenge is to achieve a smooth integration of broad strategic objectives with the details of this crisis. US aims should be to restore economic growth, stabilise fragile democracies and sustain a harmonious working relationship between itself, Japan and China. Achieving this requires a tricky marriage of diplomacy with economic policy.

What then should be the US priorities?

First, an unremitting effort must be made, with the assistance of other Asian countries, to prod Japan towards reflation and reform.

Second, co-operation with China needs to be institutionalised, perhaps by co-opting this influential power into the economic discussions of the G7.

Third, there needs to be a far stronger international effort to re-organise debt and provide new loans to afflicted Asian countries, particularly those making a serious effort to deliver on reform.

Fourth, where the crisis has led to huge political turmoil, as in Indonesia, transitional humanitarian assistance should be organised. It seems quite naive to expect a fragile country, in the grips of economic collapse, to implement fundamental economic reform in just a year or two.

Fifth, the US must cajole Europe into playing an active role. This is essential, because European banks are so important and also because, with the US, Europe possesses the only economy large enough to absorb the trade adjustment about to come from Asia.

Finally, both the US and Europe need to commit themselves to maintaining open markets, as Asia's external adjustment develops.

This is a long and tricky agenda. It is one only the US can lead. The Asian crisis is not what President Clinton expected to focus on in his last years in office. It has become his biggest challenge, all the same.

# Baghdad Butler

It would be unwise to take too much comfort too soon from the agreement reached earlier this week by Richard Butler, the chief United Nations weapons inspector in Iraq, and Tariq Aziz, Iraq's deputy prime minister.

The agreement comprises a two-month work schedule "on outstanding disarmament issues". Mr Butler says he hopes, when he meets Mr Aziz again to "take stock" on August 9, that "we will be looking at a slate that's been pretty well ticked off", and that this will enable him to present a positive report to the Security Council in October, clearing the way for the UN to lift sanctions.

The trouble is that Mr Butler has said this kind of thing before. His tactic, ever since he took on his present task a year ago, has been to stress the positive side of his team's findings and encourage Iraq to come clean on what remains obscure by dangling the end of sanctions in front of it.

There are two problems about this. One is that Iraq can cite statements by US officials indicating that sanctions will never be lifted while Saddam Hussein is in power. That obviously reduces his incentive to comply. The statements may have been superseded by the US's acceptance of the agreement negotiated last February by Kofi Annan, but the point is far from clear.

The other problem is that, so far, the detail of Mr Butler's reports has always belied his optimism, showing a sorry catalogue of Iraqi deceptions and evasions. The latest review, presented to the council on June 3 and 4, was particularly clear and comprehensive. It showed that Iraq has deceived the UN about its weapons of mass destruction at every turn and only ever owns up to them when the deception has already been exposed.

Unfortunately very few people other than the US and UK governments are now prepared to face up to this unpleasant reality. The rest of the world is eager to see sanctions lifted, for a mixture of good and bad reasons, and regards Mr Butler and his reports as a tiresome pretext for continued US intransigence.

He is clearly sensitive to this charge, which is why he is now making even more effort than before to show his willingness to believe in and co-operate with an Iraqi change of heart. But he is too honourable a man to report compliance if Iraq does not in fact comply. The world should stand by for another crisis in August, or at the latest October.

# Blair's Europe

Britain "has come a long way" in relations with its European partners, Tony Blair rightly said yesterday, summing up the UK's EU presidency to the European parliament. After such protracted and bitter sparring in Europe, it has been good for Britain to play referee for the past six months.

The value to the EU is another matter. Many Europeans complained of his fumbling of the euro's launch. Maybe the presidency came too soon for the Blair government in one sense. For it has not still worked out how to maintain influence in Europe while it remains outside monetary union.

This dilemma was all too present in the messy nomination of the European Central Bank president in early May. Before the debacle in Brussels, the UK did offer mediation, but was effectively told by its partners not to bother as it was staying outside the eurozone. Nonetheless, London should have insisted on its right as president to arbitrate, rather than fussing about being excluded, as it logically must be, from the new euro-11 club.

In Strasbourg yesterday Mr Blair mainly came under fire from MEPs for repeatedly aligning himself with the US in foreign policy crises. They recalled his trip to Washington in January, when he lined up with the US position on Iraq without even a courtesy round of EU consultations. On the other hand, on Kosovo, Britain has taken a lead or prominent part in the United Nations, Nato, the international contact group on the Balkans, and in the EU. It just happens that the least relevant of these forums is the EU because of the politico-military nature of the Balkan problem.

European governments have been far less critical than their MEPs of Mr Blair's pro-US stance, because they have seen some pay-off. This came notably in Washington's agreement to drop sanctions on European companies doing business with Cuba, Iran and Libya, though the deal still hangs on Congress's approval. The recent EU move to reopen contacts with Iran has helped stimulate similar US action. The US and UK have also worked together constructively to try to improve the EU's handling of Turkey.

Overall, the Blair presidency has been a modest success for the EU. But the most important payoff is undoubtedly restoring a sense of normality to relations between Britain and its partners that has been lacking for years.

# A prop not a panacea

**Stephen Fidler** and **Peter Montagnon** look at the reasons why the US and Japan have acted to support the yen

It has been a remarkable policy reversal. Only last week, Robert Rubin, the US Treasury secretary, was expressing scepticism about the effectiveness of government action in the foreign exchange markets. This week, he and Alan Greenspan, chairman of the Federal Reserve, ordered intervention to shore up a collapsing yen – the first currency market intervention by the US since the summer of 1995.

What has made the US change its mind about propping up the yen? What can its action – and accompanying policy promises from Japan – actually achieve? And what are the implications for the wider Asia crisis?

The obvious explanation for the US action is that concern about Japan's intensifying economic slump has passed a critical point. In the days before the decision to prop up the yen, Japan announced that its economy shrank at an annual rate of 5 per cent in the first quarter; the week before that saw evidence of fresh strains in the crumbling Japanese banking system.

But that is only part of the explanation. Though the support operation and policy promises focused on the yen, China also played a vital role. The yen's depreciation, said C. Fred Bergsten of Washington's Institute for International Economics, was threatening to trigger a string of competitive devaluations all over Asia. This would intensify Asia's financial crisis, caused in part by the inability of Asian borrowers to pay foreign currency debt in their already heavily devalued local currencies. And as Asian goods at fire sale prices arrived at ports all over the world, it would risk exporting the region's recession to the rest of the world.

In particular, China's currency, the renminbi, has been regarded as the cornerstone of attempts to rebuild Asia's economic stability. A devaluation there would make it almost impossible to hold the Hong Kong dollar's value. Last week, Chinese officials expressing growing concern about the yen's weakness, started to back away from earlier rock-solid promises not to devalue. These concerns were expressed too in the increasingly frequent contacts between Chinese and US finance officials.

This, many economists in Tokyo say, marks the emergence of China as a significant player in the world of international finance. That is one important implication of the US policy change. The widespread view in Tokyo is that pressure from Beijing, more than any other factor, prompted the US to drop its hitherto staunch reluctance to intervene.

"China really took the US to the brink," says Ken Courtis of Deutsche Morgan Grenfell in Tokyo. "For the first time it has started to play a world level role in global finance." It was helped, of course, by the impending visit of President Bill Clinton to China next week. The US administration did not want it overshadowed by a financial meltdown in the region, nor by Chinese accusations of double standards: China has been able to argue that it was not fair of the US to press Beijing to maintain its exchange rate and pursue economic reform, while allowing Japan to depreciate its currency and dither about cleaning up its banking system.

But if China played a vital role in explaining the broad background, the immediate decision to change policy came only after intensive discussions between the US and Japan, and within the Clinton administration.

On Tuesday afternoon, the day before the intervention was unleashed, the president and Mr Rubin held a meeting with officials including Sandy Berger, the head of the National Security Council, Erskine Bowles, the president's chief of staff, and Gene Sperling, head of the National Economic Council. This was followed up by a conference call among the same group and then a late-night telephone call by the president to Ryutaro Hashimoto, the Japanese prime minister.

In the course of these negotiations, the US in effect switched from its earlier stance of criticising Japan from the sidelines for not doing enough, to one of co-operation with Japan in dealing with the crisis. That is one reason some observers have suggested that the intervention could be a defining point in Asia's still unfolding financial crisis: the point at which the world's two largest powers started to act in concert to deal with it.

Mr Rubin may also accept some responsibility of his own for accelerating the decline of the yen after he spoke last Thursday to the Senate finance committee. Expressing concern about the yen's weakness, he said: "Intervention is a temporary tool not a fundamental solution . . . The whole answer lies in Japan doing what it needs to do."

Many currency traders interpreted the remarks as a chance to make a one-way bet on the Japanese currency and, on Monday, the yen dropped to an eight-year low against the dollar. So by Wednesday, technical conditions in the currency market also meant that the yen was heavily oversold – and ripe for a correction encouraged by central banks.

That may help explain what might otherwise seem a puzzling aspect to the policy change: that it has had such a significant effect. The yen rose sharply and stock markets all over the region rebounded. This is a puzzle because, in the recent past, observers have stressed how deep seated is Asia's economic and financial crisis, and how hard to reverse. If it takes merely an intervention by the US authorities to persuade sceptical investors to hold yen and other Asian currencies, does this mean the Asia crisis might not be as dire as it seemed? The answer must be no: the strength of the yen's rise is explained by narrower, technical considerations in the markets.

And that in turn means the intervention may have pushed the yen up only temporarily. It has bought some time. But it will be not be effective unless deeper policy changes follow.

So, despite the change of approach, Mr Rubin remains sceptical that intervention will achieve anything without action by the Japanese government. Lawrence Summers, Mr Rubin's deputy, is in Tokyo today for talks with finance officials and politicians to stress the importance of prompt action. "The key is for them to take action, and that is essential not only for their well-being but truly for the well-being of Asia, and I would say the rest of the world, including ourselves," Mr Rubin told CNN.

This is why the US intervention was explicitly linked to what Mr Clinton called "bold" and "aggressive" reforms announced by Mr Hashimoto. On the face of it, these reforms are impressive. The Japanese prime minister is promising both to speed up a promised fiscal stimulus to the economy and accelerate a restructuring of the banking system, whose huge portfolios of bad loans are weighing down the economy. He would also end the "convoy" system, in which weak banks are bailed out by their stronger brethren.

But there remains widespread scepticism about whether Mr Hashimoto's announcement contains anything really new and, even if it does, about the strength of the Japanese commitment to carry out the reforms.

The basic problem is that the troubles of the banking sector are so deep that no single package – or even a sequence of them – is likely to provide a solution. The Ministry of Finance recently admitted that total problem loans were Y77,000bn ($560bn) – three times higher than previously admitted. But the government is nervous about forcing the weakest banks to merge or close, for fear of triggering a wave of bankruptcies and driving the economy even deeper into slump.

What Japan needs to revive its economy is a firm declaration by the prime minister that the next three years will be devoted to economic reconstruction, not fiscal consolidation, says Yoshio Suzuki, an opposition Liberal Democrat party MP and former chairman of Nomura Research Institute.

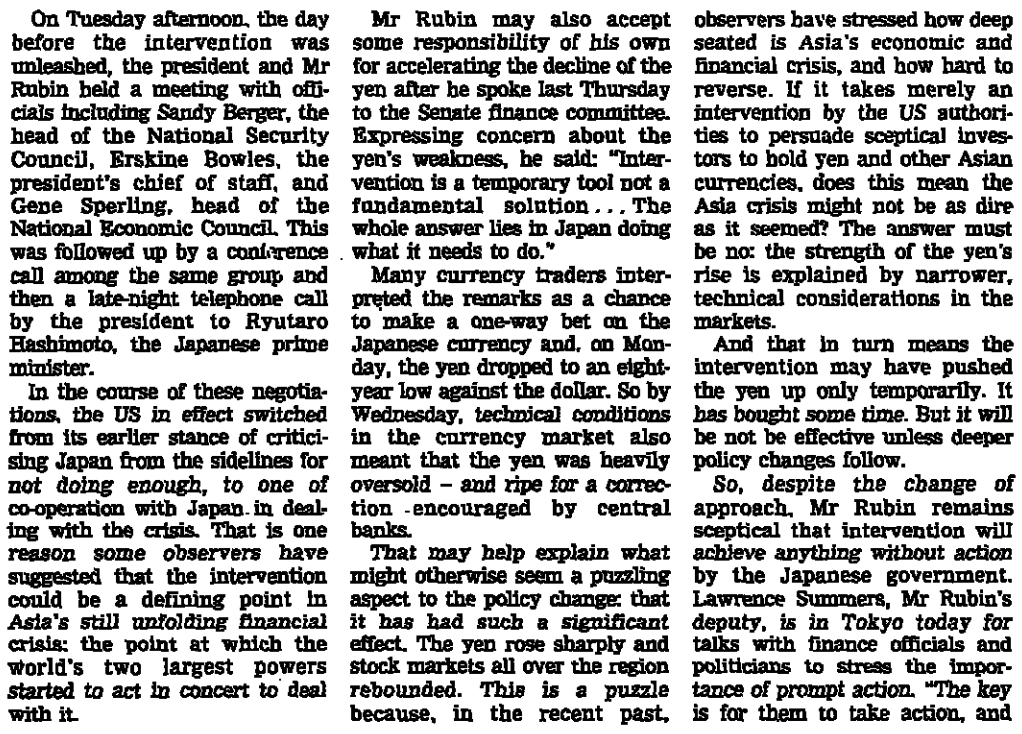
But Mr Hashimoto, who has been a strong advocate of fiscal consolidation, might have to resign if he took that course, especially just ahead of next month's upper house elections.

All the same, an emergency gathering this weekend in Tokyo of officials from Group of Seven countries as well as leading Asian governments will have one objective – to wring out of Japan a firm, credible commitment to clean up its banks and stimulate its economy.

"Japan has never been isolated like this before," says Mr Courtis. "If that leads it to knuckle down to reform, China, as well as the US, will be able to claim credit."

It is not yet apparent, then, that the change of US policy this week marks a turning point for Asia: that depends on how the Japanese government reacts to it.

It does, however, mark another shift: the emergence of China as a force in global financial policy-making. With Japan unable or unwilling to punch its weight in the world, and Europe self-absorbed with monetary union, this could be a more significant shift for the world economy. Its durability depends, though, on China avoiding itself the type of financial crisis that is plaguing its neighbours.




CORRECTION

## US productivity

In our leader on June 11, "Greenspan's optimism", we quoted a figure of 0.2 per cent for US productivity growth in the first quarter. The figure was in fact revised upwards to 1.1 per cent.

# OBSERVER

## Perils of Pauline

The smack of firm discipline within the One Nation party gives a taste of what Australia could be in for if Pauline Hanson's rag-tag army of extremists ever get their hands on the levers of power. National director David Ettridge – described as the "brains" behind the party's anti-immigration, anti-Aboriginal and pro-protectionist stance – has been gagged after coming out with policy statements that even the party leader thinks are off-beam.

Earlier this week Ettridge came forward with a stirring suggestion for how the government could fund One Nation's scheme for a "people's bank" to provide ultra-low interest loans to farmers: the authorities could simply print more money.

The subsequent furore stoked speculation about deep rifts between Hanson and some of her lieutenants, until the leaderene decided to show who really wears the pants. Ettridge is banned from commenting on policy matters and restricted to making comments on administrative matters. Smacking the errant director with a sheaf of papers, she declared: "David, don't do that again."

## Prime property

Jones Lang Wootton may not be in quite the same league as Wall Street warrior Goldman Sachs, but within the sheltered world of real estate the 200-year-old partnership likes to think of itself as a cut above the rest.

The parallels don't end there: if London-based JLW gets together with Chicago-based La Salle, its 300 or so partners stand to make paper fortunes. Maybe not quite as much as Goldman's golden brotherhood, but enough to keep them in spotty silk ties and Savile Row suits in perpetuity.

It's no surprise to learn that the majority of JLW's surveyors are salivating at the prospect, although, as at Goldman, there's reckoned to be a sizeable minority in favour of keeping the old-fangled partnership. The big cheeses round at Hanover Square – led by chief executive Chris Peacock, a pin-striped type who could sell granola to Elvis – are broadly in favour. They believe JLW is already sharp enough to mix it with savvy state-siders like La Salle.

Mind you, a quick flick through Jones Lang Wootton's annual report shows that some things are going to have to change. The only hard financial fact in 60 glossy pages is a stab at total turnover, while partners' salaries remain a closed book. Partnership has its privileges.

## Full of beans

Has Ernesto Samper, Colombia's president, backed the wrong man in this weekend's elections to decide who will replace him? The podgy head of state, sullied by allegations that his stint in the presidential palace came courtesy of donations from drug barons, has been quietly working up a sweat to ensure that his best chum Horacio Serpa wins Sunday's vote.

Samper's subtle campaigning has, say his critics, included the inauguration of infrastructure works and negotiating public sector wage increases – all with the aim of helping fellow leftist Serpa defeat Conservative rival Andrés Pastrana in this Sunday's vote.

Yet Serpa, a former interior minister with a moustache of monumental proportions, doesn't appear at all grateful for the helping hand. "Comandante Serpa" as the left-winger is commonly known, startled a national TV audience – and probably his old chum – by saying in a televised debate that his government would not hesitate to pack Samper off to the US on corruption charges if enough evidence was produced against him.

Pastrana, on the other hand, took the equally surprising line that the outgoing president must never be extradited. With enemies like that, who needs friends like Serpa?

## Live issue

It may be nearly 10 years since Ferdinand Marcos went to the great archipelago in the sky, but he's still making his presence felt. Two hundred demonstrators led by former president Corazon Aquino paraded in front of the presidential palace yesterday in protest at plans to give the former Philippines dictator a belated pomp-and-ceremony burial.

A funeral with full honours would be a victory for Marcos's widow, Imelda, who has displayed her husband's body in a refrigerated crypt since it was bought home from exile. She's been saying for years that he won't be laid to rest unless he gets a burial plot fitting for a former head of state and soldier. President-elect Joseph Estrada, who takes office on June 30, seems to agree; he's earmarked space in Manila's heroes' cemetery, even though the Philippine government is trying to retrieve billions of dollars spirited away during the Marcos years.

Aquino certainly isn't impressed by the decision. "He was not a hero so why should he be buried at the heroes' cemetery?" she told the protesters yesterday. And there's more to come: militant Roman Catholic priests and nuns have vowed to prostrate themselves in front of the cemetery gates to stop the Marcos funeral procession from passing.

## Sharp practice

An Irish street performer whose act consists of lying on broken glass and challenging spectators to plunge a knife into his chest has finally met his match. The 23-year-old dare-devil, whose name has not been released by Dutch police, is recovering in an Amsterdam hospital after being stabbed by an onlooker.

The Financial Times

## 50 years ago

**New Currency For Germany**
Frankfurt, June 18. Currency reform for the three Western Zones of Germany will go into effect on Sunday, June 20. The Western sectors of Berlin are not for the time being included in the new monetary changeover. Actual conversion rate will be announced later, but a hint is given in the fact that devaluation of stamps and small change – up to one mark – is fixed at the rate of one-tenth of their old value. Every Western Zone German will receive 60 new Deutsche marks for 60 of the old currency to tide him over the interim period pending final conversion. The bank conversion rate will "drastically reduce" the total money in circulation. Current wage and salary incomes and prices remain unchanged.

**Diamond Sales**
During the past two or three months it has been evident that diamond sales, both of gem and industrial stones, were appreciably exceeding expectations earlier in the year, when Wall Street looked none too happy. This impression is amply confirmed by the chairman of De Beers, who estimates that, for the first six months of 1948, the trade's turnover in both classes of stones will total something like £22,000,000.

FINANCIAL TIMES
FRIDAY JUNE 19 1998



THE LEX COLUMN

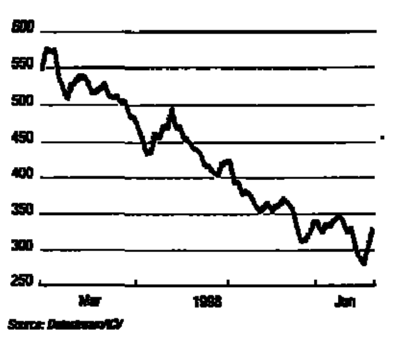
# Summers sunshine

Larry Summers might care to swing through Moscow on his way back from troubled Tokyo. Certainly the first formal calls from the Russian government for $10bn-$15bn of external funds to stabilise its finances should prompt hard thinking. True, the international community's interests in Russia's transition to a market economy rule out passive acquiescence in any descent to Indonesian-style turmoil.

But if it rides to the rescue, the International Monetary Fund, and perhaps the US too, must be satisfied that the keen appetite for reform would not be sated by solving immediate liquidity problems. Without capitalising on this financial crisis to accelerate structural reforms – such as improving tax collection and eliminating non-payment – the same problems will return with interest next time. Ensuring the IMF is not trapped by investing its own political capital in the success of any programme will also be essential.

Equity investors face a tough decision over returning to a market that has fallen 70 per cent since October. The IMF could help them out by insisting that company accounts become believable and standards of corporate governance improve. Share prices certainly appear tantalisingly cheap on most criteria. However, corporate earnings face a treble whammy of high interest rates, short-term revenue-raising measures and a decline in economic activity. Only for long-term holders, then.

South Korea
Korea Composite




Source: Datastream/ICV

## Chaebol restructuring

For South Korea's leading *chaebol*, the "death list" of companies targeted by the government for liquidation was a distinctly non-fatal event. Most of the 55 companies named belong to medium-sized *chaebol* already on life support. The 20 subsidiaries of the top five that do appear are small beer.

But it would be premature to dismiss corporate restructuring as a lost cause. That the *chaebol* would fight their corner was always a given. At least there are signs the government has an appetite for the struggle. The corporate restructuring review will continue, aided by the threat that the government will force banks to cut lending to *chaebol* that resist state-sponsored asset swap agreements. One such deal between three *chaebol* was apparently close to delivery recently before one party got cold feet. Most of the scenarios assume an allocation of core industries between the different *chaebol*, thereby removing overlaps.

In a better world, the state would not be involved in this process. But given the urgent need for corporate restructuring to galvanise economic growth, some governmental banging together of heads is justified. This rationalisation would not address the excess capacity that still bedevils most sectors. But for investors it would at least be a sign that strong companies, such as Samsung Electronics, can face a future without having to subsidise underperforming *chaebol* siblings.

## SES

Welcome to the utility of the space-age. SES leases satellite capacity to broadcasters across Europe. But it has avoided the commodity tag, because it occupies the right place in space – known as orbital slot – and because it was quick to spot the potential of pay-TV. It cemented relationships with broadcasters such as British Sky Broadcasting early on, and now dishes on millions of homes point towards its seven satellites. Margins are high, at 50 per cent for pre-tax profits.

Analysts' valuations for the company of $5.5bn put it on 13 times 1998 earnings before interest, tax and depreciation. This valuation should be underpinned by strong growth for the next few years as the company launches a further four satellites needed for new digital services.

But what if the 200-odd digital channels offered by the likes of BSkyB are a consumer turn-off, and the digital revolution takes place on a terrestrial rather than satellite platform? SES is largely protected because it "pre-books" much of the space on its satellites before launching them.

The main risk for SES is launch failure. But as long as it can offer broadcasters "back-up" satellite space, revenues should only be delayed rather than lost. Over a 10-year view growth may slow because broadcasters will not need to lease both analogue and digital capacity from SES. A link-up with another satellite operator could mitigate this.

## UK minimum wage

The timing could not be worse. Rapid earnings growth had already goaded the Bank of England into a further interest rate rise. This week's news of 6 per cent-plus private sector pay increases, on top of disappointing inflation figures, had prompted the market to price in yet another rise in rates, propelling the pound back towards DM3. Now there is confirmation that the minimum wage will mean pay rises averaging 30 per cent for 2m low paid workers. Amid such pressure on company costs, something will have to give. Assuming the economy slows next year, when the minimum wage takes effect, profits and employment are more likely to be hit than prices pushed up. Indeed profits are already under pressure among manufacturers because of the high pound and Asian contraction.

But the minimum wage and other new measures protecting workers should have one useful effect on sluggish managements, particularly in the service sector: they will have to rethink their approach to productivity. So long as they could hire cheaply and fire easily, that was a quick route to increasing output. But if labour is more expensive and less tractable, the incentives to invest in better equipment and more efficient processes should increase, with a beneficial effect on the UK's lagging productivity. But, as the French and German experience has shown, when managers really apply their brains to productivity, it is bad news for unskilled workers.

# Kohl issues warning against over-centralisation of EU

## Change of tone as chancellor prepares for September election

By Ralph Atkins in Bonn

Helmut Kohl, the German chancellor, warned against excessive centralisation of the European Union yesterday in a speech apparently designed to boost his image before the September general election as a defender of German interests.

Reporting to parliament after this week's summit of EU leaders in Cardiff, Wales, Mr Kohl said the devolution of decision-making, or subsidiarity, had crucial importance after the "historic" decisions to launch the euro and expand the EU to include former communist countries.

He highlighted his change of tone, first indicated in a joint letter last week with Jacques Chirac, president of France, by mocking "absurd" European rules on the size of traffic signs and guidelines on tourism statistics. "The process of European unification must be accepted by the people. They must feel that the united Europe will be built for them," Mr Kohl said. The speech represented a clear shift of emphasis at the end of a parliament dominated by Mr Kohl's efforts to drive through European economic and monetary union. It also foreshadowed Germany's likely strategy when it takes over the EU's rotating presidency in January.

Mr Kohl stressed the importance of the German presidency at a time when decisions on EU agricultural reform, structural aid and members' financial contributions are due to be taken. Germany, the EU's biggest net contributor, is pushing for a "fairer" distribution of the burden.

Gerhard Schröder, the Social Democratic candidate for chancellor in the September 27 election, has emphasised the need to address voters' worries about an expanding EU. As if in response, Mr Kohl backed his challenger's call for temporary rules to control the free movement of labour after the expansion.

On reform of EU structural funds, Mr Kohl feared Germany's federal system would be undermined. "Some 370m people live in the EU today. I cannot understand how it is possible to know from a central point in Brussels what is best for Mecklenburg-Vorpommern, for Lapland, Sicily and the Canary Islands."

The German presidency, he said, would seek a clear definition of the powers of community, regional and national governments. Cities such as Düsseldorf, in north-west Germany, and Munich, in the south, should decide what was best for their local regions and an enhanced role should be given to local municipalities.

For the SPD, Rudolf Scharping, parliamentary leader, described Mr Kohl's performance as having "the character of a swan song".

● Mr Schröder has reassured Poles his country's European and Atlantic policy will not change if the SPD wins the election, Christopher Bobinski reports from Warsaw.

However, visiting Poland on Wednesday, he also said "It should not surprise anyone that Polish membership of the EU will take longer than membership of Nato", which is due next year.

# Tension over Cyprus rises as Turkey sends in F-16 warplanes

By John Barham in Ankara and Kerin Hope in Athens

Tension between Turkey and Greece over Cyprus increased yesterday after Mesut Yilmaz, Turkey's prime minister, ordered six Turkish F-16 warplanes to fly to Turkish northern Cyprus.

He said Turkey was responding to the visit earlier this week of four Greek F-16s and two transport aircraft to the new Paphos air base in the Greek Cypriot-controlled southern section of the divided island.

Mr Yilmaz warned that Turkey might take further action against Greece and the Greek Cypriot government. "Turkey does not want a war in Cyprus, but the possibility mainly depends on the attitude of the Greek Cypriots," he said.

The presence of Greek aircraft at Paphos and the planned installation later this year of Russian-made S-300 anti-air defence missiles, were evidence of "a desire to attack Turkey", he added.

A Greek government spokesman said the visit to Cyprus by military aircraft was part of a plan to deepen defence co-operation between Greece and Cyprus. A bilateral defence pact signed five years ago provides for joint military exercises and for the Greek air force to extend operations to southern Cyprus.

A Greek defence official said there were no plans for Greek military aircraft to be stationed at Paphos, but the base would be used during joint military exercises with Greek Cypriot forces.

Mr Yilmaz said Turkey would now increase its use of air bases in Northern Cyprus, where it has stationed 30,000 troops since its invasion in 1974. The Turkish navy has also sent nine warships to the northern port of Kyrenia.

Mr Yilmaz said he would maintain contacts with Britain, the former colonial ruler which, together with Turkey and Greece, is a guarantor-power of the island's independence.

Ismail Cem, foreign minister, said: "Turkey is carefully evaluating any initiative which would break the strategic balances in the eastern Mediterranean and Cyprus by Greece and the southern Cyprus administration."

A European diplomat in Ankara said Turkey had "hugely over-reacted" and was contributing to the risk of confrontation by sending more weapons to what was already one of the world's most militarised regions. Turkey claims the missiles would impair its air superiority over the island.

Analysts say the Turkish government is lashing out at Greece because at this week's Cardiff summit, European Union leaders again refused to consider it a candidate for EU membership.

Ankara blames Greece, already an EU member, for blocking its EU candidacy. Mr Yilmaz does not want to appear weak as the country begins preparing for elections next year. He broke off political contacts with the Union last December after European leaders excluded Turkey from a list of candidate countries.

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Richard Holbrooke, the former special envoy to Bosnia, has been named as the US ambassador to the United Nations. Page 6

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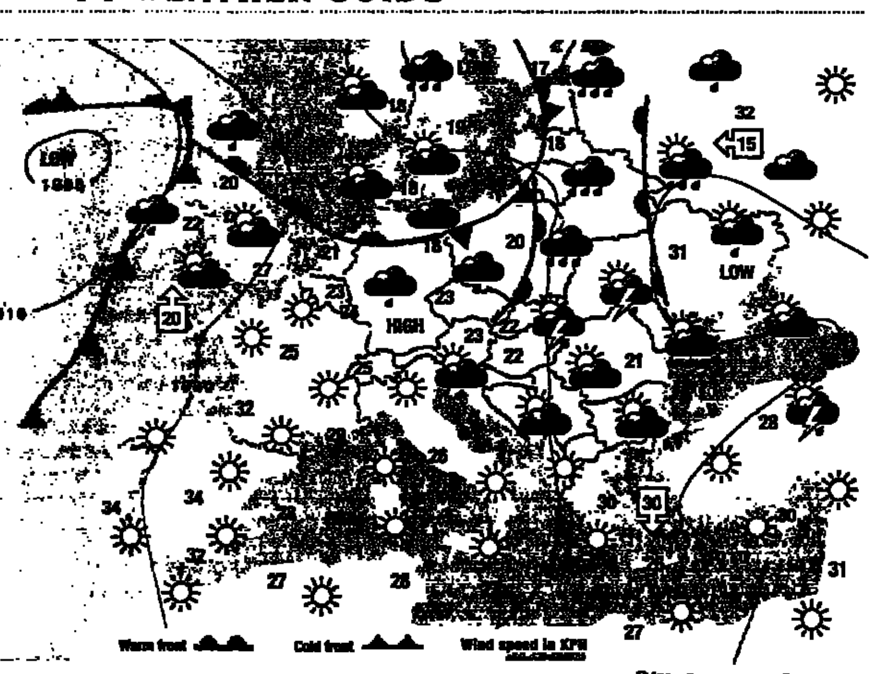
FT WEATHER GUIDE

**Europe today**
North and eastern Scandinavia will continue unsettled with thundery showers but south-western areas will become increasingly dry with sunny spells in many areas. Western Russia and the Baltic countries through to the Black Sea will have thundery rain. High pressure will dominate much of central and western Europe and the Mediterranean and warm weather with plenty of sun will spread from the south. Northern Germany will have a few showers. Spain and Portugal will be very hot.

**Five-day forecast**
Warm and mainly sunny weather established over much of southern and western Europe will spread across south-western Scandinavia and then into eastern Europe by the middle of next week. North-western Scandinavia will become showery later in the week.




Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | Fair | 40 |
| Accra | Fair | 28 |
| Algiers | Sun | 27 |
| Amsterdam | Cloudy | 21 |
| Athens | Sun | 30 |
| Atlanta | Thunder | 33 |
| B. Aires | Fair | 14 |
| B.ham | Sun | 26 |
| Bangkok | Shower | 35 |
| Barcelona | Sun | 26 |
| Beijing | Fair | 31 |
| Belfast | Fair | 20 |
| Belgrade | Fair | 21 |
| Berlin | Shower | 20 |
| Bermuda | Fair | 29 |
| Bogota | Fair | 19 |
| Bombay | Shower | 33 |
| Brussels | Fair | 23 |
| Budapest | Fair | 22 |
| C.hagen | Fair | 18 |
| Cairo | Sun | 34 |
| Caracas | Thunder | 33 |
| Cardiff | Fair | 23 |
| Casablanca | Sun | 27 |
| Chicago | Shower | 29 |
| Cologne | Shower | 24 |
| Dakar | Fair | 29 |
| Dallas | Fair | 38 |
| Delhi | Fair | 31 |
| Dubai | Sun | 42 |
| Dublin | Fair | 22 |
| Dubrovnik | Sun | 26 |
| Edinburgh | Cloudy | 21 |
| Faro | Sun | 27 |
| Frankfurt | Shower | 23 |
| Geneva | Sun | 25 |
| Gibraltar | Sun | 24 |
| Glasgow | Cloudy | 20 |
| Hamburg | Shower | 19 |
| Helsinki | Rain | 17 |
| Hong Kong | Shower | 31 |
| Honolulu | Fair | 31 |
| Istanbul | Fair | 24 |
| Jakarta | Cloudy | 33 |
| Jersey | Sun | 24 |
| Johannesburg | Sun | 21 |
| Karachi | Fair | 38 |
| Kuwait | Sun | 46 |
| L. Angeles | Sun | 24 |
| Las Palmas | Sun | 25 |
| Lima | Cloudy | 22 |
| Lisbon | Sun | 34 |
| London | Sun | 27 |
| Lux.bourg | Sun | 24 |
| Lyon | Sun | 27 |
| Madeira | Fair | 24 |
| Madrid | Sun | 34 |
| Majorca | Sun | 27 |
| Malta | Sun | 27 |
| Manchester | Fair | 24 |
| Manila | Shower | 34 |
| Melbourne | Fair | 15 |
| Mexico City | Fair | 32 |
| Miami | Fair | 33 |
| Milan | Fair | 29 |
| Montreal | Shower | 26 |
| Moscow | Fair | 32 |
| Munich | Shower | 21 |
| Nairobi | Fair | 26 |
| Naples | Sun | 28 |
| Nassau | Fair | 32 |
| New York | Fair | 31 |
| Nice | Sun | 25 |
| Nicosia | Sun | 30 |
| Oslo | Shower | 18 |
| Paris | Sun | 29 |
| Perth | Fair | 15 |
| Prague | Rain | 18 |
| Rangoon | Thunder | 33 |
| Reykjavik | Fair | 13 |
| Rio | Fair | 28 |
| Rome | Sun | 28 |
| S. Frsco | Sun | 24 |
| Seoul | Fair | 28 |
| Singapore | Shower | 32 |
| Stockholm | Fair | 19 |
| Strasbourg | Cloudy | 25 |
| Sydney | Sun | 19 |
| Tangier | windy | 28 |
| Tel Aviv | Sun | 31 |
| Tokyo | Rain | 24 |
| Toronto | Shower | 26 |
| Vancouver | Shower | 17 |
| Venice | Fair | 28 |
| Vienna | Fair | 23 |
| Warsaw | Rain | 20 |
| Washington | Fair | 33 |
| Wellington | Cloudy | 11 |
| Winnipeg | Rain | 21 |
| Zurich | Fair | 25 |

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FINANCIAL TIMES

# COMPANIES & MARKETS

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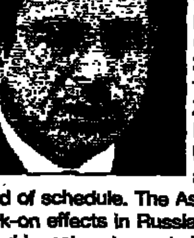
## INSIDE

### Richemont profits up 27% at $633m

Richemont, the Swiss-based conglomerate controlled by South Africa's Rupert family, shrugged off worries about the health of its tobacco and luxury goods businesses by reporting a 27 per cent increase in 1997-98 profits to £386m ($633m). A 9.5 per cent rise in operating profits was held back by the strength of sterling. Page 24

### Mexico facing end-of-term curse



For a quarter of a century Mexico has suffered the *sexenio* curse – a financial meltdown at the end of each six-year presidential term. With elections looming in 2000, the good news is that President Ernesto Zedillo (left) is trying to break the curse. The bad news is that cracks are appearing two years ahead of schedule. The Asian crisis, and its knock-on effects in Russia and Japan, have soured investors towards Latin America. Page 42

### Logging halted in British Columbia

Pressure from Greenpeace has led to MacMillan Bloedel, the Canadian forest products group, ending clear-cut logging in British Columbia, Canada's westernmost province. For the past decade, environmentalists in the province have fought to stop logging in the last substantial region of temperate old-growth forest in the world. Page 32

### Norwegian groups in $28bn alliance

Union Bank of Norway has announced an alliance with Gjensidige Group, Norway's second biggest insurer, to create a financial services group with assets of NKr214bn ($28bn). Page 25

### French exchange to undercut Liffe

Matif, the French derivatives exchange, has added to the European attack on the London International Financial Futures Exchange by announcing that it will undercut Liffe's fees on two new UK government bond futures contracts. Page 30

### Tokyo sets pace in Asian rally

Asian equities staged another strong rally yesterday, with Tokyo setting the pace in the wake of Wednesday's joint US and Japanese intervention in support of the yen. Hong Kong also raced ahead as lower interbank rates and a round of short-covering added fuel to the rally. Page 42

### State Bank of India nets $429m

State Bank of India, the country's largest bank, yesterday reported a 40 per cent increase in net profit to Rs18.61bn ($429m) for the year to March 31, beating analysts' expectations. Page 27

### Moody's downgrades LTCB debt

Moody's, the US credit rating agency, is to downgrade the subordinated debt of Long-Term Credit Bank of Japan. The move was triggered by concerns about LTCB's weak capital base and its ability to absorb a credit squeeze. Page 27

## COMPANIES IN THIS ISSUE



**CROSSWORD, Page 32**

## MARKET STATISTICS



# PDFM gives ultimatum to UBS

## Pension manager and bank in clash over autonomy

By Jane Martinson, Investment Correspondent

PDFM, the UK's third largest pension fund manager, has told Union Bank of Switzerland, its Swiss parent group, it would rather be sold than lose its autonomous status.

UBS last night acknowledged it was reviewing the role of PDFM as part of its merger preparations with Swiss Bank Corporation, although no decision had been taken. Gertrude Erismann, a spokeswoman for UBS, said: "In the context of reviewing the whole activities of the bank we are also talking about PDFM."

PDFM's desire to leave its parent group comes after months of turmoil following last year's announcement of the UBS-SBC merger, which will create a new bank to be called United Bank of Switzerland. The merger is due to be completed on June 29.

UBS first said PDFM would operate as an autonomous unit within the merged bank's global institutional asset management division led by Gary Brinson, the head of SBC's fund management business.

Other options available to the new UBS include fully integrating PDFM into the Brinson group.

However, PDFM is resisting such a move. Executives have made their views known in a series of memos to UBS. They would rather see PDFM sold than fully integrated. While both sides have denied any culture clash there have been some muted disagreements about how to run the company. A person close to PDFM said last night: "Brinson is very centralised, very structured. Can you run a segregated pension fund business from Chicago?"

Although the final decision will be taken by the new board of directors of the new UBS, PDFM management were led to believe by recent statements that their views would be taken into account.

When speculation about PDFM's future surfaced last month UBS issued a release which said: "No decision has been made by UBS which will affect the future status of PDFM as an autonomous business within the group. Moreover, no decision will be taken without the full co-operation or agreement of PDFM."

When UBS agreed to merge with SBC, most PDFM executives were not told until two days before the announcement. Fund management takeovers are usually made with the agreement of the target.

PDFM executives are understood to be considering the appointment of independent investment bankers to value the business in the event of a sale. There are expected to be many large US and continental European groups interested in buying the company, which would offer a valuable link to the highly competitive UK institutional market.

A management buy-out is thought to be unlikely.

Using the takeover premium paid for Mercury Asset Management, the UK's largest pension fund manager, by Merrill Lynch, the US investment bank, PDFM, which has assets of $92bn under management, could be sold for up to $3bn. MAM was sold for 3 per cent of assets under management.

PDFM has underperformed its peer group for several years after it took a bearish view on global equity markets.

PDFM declined to comment last night.

# Saudi prince in talks to buy stake in Ferré

By Alice Rawsthorn in London

The Saudi billionaire, Prince Alwaleed bin Talal, is in talks to buy a 49 per cent stake in Gianfranco Ferré, one of Italy's best known fashion houses, for up to L250bn ($142m).

The news of the prince's interest in Ferré, which announced last year that it intended either to go public or sell a sizeable holding to an external investor, comes at a turbulent time for Italy's fashion designers.

Prada, one of the hottest Italian labels of the 1990s, appears poised to wage a battle for control of arch-rival Gucci after spending $240m buying the latter's shares. Earlier this week, Prada disclosed it had raised its Gucci stake from 5 per cent to 9.5 per cent.

Other Italian fashion houses, including Giorgio Armani and Gianni Versace, have been mulling plans for share issues, or to raise capital by bringing in investors. Valentino was sold earlier this year to HdP, the Italian industrial group which has reportedly also held discussions with Ferré. Armani is still reviewing its options. Versace plans to go public next spring, having delayed its original schedule for a year after the murder of its founder last summer.

The restructuring in the Italian fashion industry coincides with a slowdown in the global luxury goods market. After a buoyant period in the mid-1990s the world's fashion designers have been hit by a sharp decline in demand from Asia, until recently one of their fastest-growing markets.

However, the chief reason for the Italian restructuring is that the older generation of designers and their backers want to raise capital. Prince Alwaleed is negotiating to buy the shares in Ferré held by Franco Mattioli, the designer's business partner.

Mr Ferré, 53, founded his company with Mr Mattioli 20 years ago. It is now one of the world's largest fashion houses with estimated retail sales of $730m last year.

Prince Alwaleed has become one of the world's most successful investors by buying stakes in high profile brands such as Citicorp, Apple Computer and Donna Karan, the New York fashion house.

# Disney links with Infoseek in internet venture

By Christopher Parkes in Los Angeles and Louise Kehoe in San Francisco

Walt Disney yesterday extended its reach into online retailing and entertainment by joining forces with Infoseek, a leading search and directory company, to create an internet "portal" – a type of supersite that includes a wide range of content and services such as electronic shopping and search capabilities.

The move, which prompted a further surge in volatile internet company stocks, will reinforce Disney's internet strategy – the most aggressive among the traditional media groups – which already embraces some of the most popular consumer websites and Starwave, a leading site designer and constructor.

Share prices in companies operating portals have increased sharply in the past two weeks as expectations have risen of deals between traditional media companies and others seeking to shepherd the growing band of internet shoppers.

Their "gateway" facilities, which function as online traffic handling centres, are quickly becoming some of the most popular websites on the internet and as a result attract the lion's share of advertising revenues.

Yahoo!, Excite and Lycos stocks all rose sharply again yesterday on the news of Disney's deal, which followed news earlier this week that AT&T, the telecommunications group, had held talks about a combination with America Online, the world's largest online service, which is also regarded as an internet portal.

Other recent moves include an investment by the NBC television network's in Snap!, another internet portal operated by Cnet, the San Francisco internet media group.

NBC, which runs the MSNBC hybrid news service on the internet and television in a partnership with Microsoft, took a 19 per cent stake in Snap! – with the right to increase its holding to 60 per cent – as well as a smaller stake in the parent company for a total of about $26m.

The new combination's collection of websites will include online ABC television news, Disney's shopping, film and video promotions, offshoots of Disney's top-rated ESPN TV sports network, and the official sites of the national football, basketball and Nascar car racing associations.

The addition of Infoseek will add commerce and content agreements with the Borders bookshop chain, the Donaldson, Lufkin & Jenrette securities house, car retailers, parcels services, Bell Atlantic and Microsoft.

Under the terms of yesterday's deal, Disney bought a 43 per cent share in Infoseek, paying $70m in cash plus its ownership holding in Starwave.

Disney said it would also buy warrants enabling it to achieve a majority position in Infoseek.

Infoseek's shares opened yesterday at $42, up 22 per cent from Wednesday's close. However, the stock retreated in mid-session to trade at $37 1/4 as details of the deal were revealed.

# Gates buys into UK hotel

## Microsoft chief takes holding in historic house valued at £43m

By David Blackwell in London

Liquid asset: Cliveden was built by the Duke of Buckingham in 1666 on a cliff overlooking the River Thames

Bill Gates, boss of US computer company Microsoft, yesterday bought a stake in Cliveden, the luxury hotel and country club run at one of the UK's finest houses.

Since 1666 Cliveden, in southern England, has been home to three dukes, Frederick Prince of Wales, and three generations of the Astor family. It is also home to the swimming pool where Christine Keeler met John Profumo. The pair began an affair that rocked the Conservative government in the early 1960s.

John Tham, the hotelier married to actress Jenny Agutter, spotted the potential of the house as a luxury hotel in 1986. The National Trust, which was given the house by the Astors in 1942, agreed a lease that still has 90 years to run – thought to be the only one of its kind on one of its top properties. Mr Tham floated the company at 73p a share in 1996, but the small group did not catch the imagination of investors.

Yesterday the board recommended acceptance of an offer at 95p a share from Destination Europe, a US company formed to make the deal.

Bill Gates holds 10 per cent of Destination Europe through Cascade, his personal investment vehicle. The other investors are Lowe Enterprises with 25 per cent and LF Strategic Realty Investors.

The deal, which values Cliveden at £42.8m ($70m), marks another incursion by US property interests into the UK hotel sector. But Brian Prinn of Lowe Enterprises stressed that Destination Europe is not a real estate investment trust. Lowe, which has 24 luxury hotels across the US, was making its first move outside the US. "We could not have found a company with more of the right characteristics," said Mr Prinn, pointing to the high-quality, independent operation and well-regarded management.

The price paid, which represents about £465,000 a room, was a premium of 19.5 per cent to the market on May 1 when Cliveden said it was in talks. However, it represents a discount to net asset value per share of 112p.

Mr Tham will stay on as managing director.

# Russia launches 30-year issue to raise $2.5bn

By Vincent Boland in London

Russia stormed into the international capital markets yesterday for the second time this month, launching its biggest and longest-dated bond as it sought to signal its financial crisis was over.

The $2.5bn, 30-year bond – two weeks after a $1.25bn bond issued in the teeth of the rouble crisis – was raised from an initial $1.5bn after what its arrangers said was "heavy US interest and very big buying from European investors".

A banker at Deutsche Bank, which jointly led the issue with J.P. Morgan, said the transaction was "multiply oversubscribed". Analysts said it showed Russia was returning to favour among investors after rouble turbulence. The issue would give officials in Moscow a boost for negotiations next week with the International Monetary Fund on a $10bn loan agreement.

Russia had been expected to return to the market soon after the $1.25bn bond on June 3 – launched at almost double what Russia had to pay for its previous issues. The bond was priced at 25 basis points above the bid price late yesterday of Russia's existing 2007 bond, the equivalent of 753 basis points over 10-year US Treasury bonds.

Some syndicate officials said there was "massive" switching out of the 2007 bond, which sent its spread over US Treasuries jumping from about 680 basis points early yesterday to 728 basis points when the new bond was priced. "It is questionable how much new money is involved here," one syndicate banker said. "It is an expensive transaction; more expensive than it need have been."

Foreign borrowing is still cheaper for the Russian government than borrowing on its own bond market, where yields are about 60 per cent. However, those yields fell sharply yesterday after the bond's launch was confirmed. On Wednesday the finance ministry cancelled two auctions of Treasury bills because investors would not pay the prices it was seeking.

The launch of the bond yesterday appeared to restore market confidence. At one point, yields on Treasury bills fell 12 percentage points before rising slightly. Russian share prices fell, however, closing 2.6 per cent lower after a gain of up to 5 per cent in morning trading. "This bond is a strong signal in terms of access to the voluntary capital markets at a time when Russia's domestic capital market is still quite difficult," a banker at J.P. Morgan said. Technically, the bond is for 10 years because investors have the opportunity to redeem it at that time.

Market observers said yesterday was opportune for Russia to come back to the markets. It followed the appointment on Wednesday of Anatoly Chubais – highly regarded by foreign investors – to lead negotiations with the IMF, and the easing of Russia's foreign exchange crisis.

Bonds, Page 30

**SWISS CONGLOMERATE** TOBACCO PROFITS EDGE AHEAD AS EARNINGS FROM LUXURY GOODS SLIP

# Richemont posts 27% advance for year

By William Hall in Zurich

Richemont, the Switzerland-based conglomerate controlled by South Africa's Rupert family, shrugged off worries about the long-term health of its tobacco and luxury goods businesses by reporting a 27 per cent increase in 1997-98 net profits to £386m ($640m).

The 9.5 per cent rise in operating profits, to £1.04bn for the year to March 1998, was held back by the strength of sterling, which reduced profits by £132.2m.

However, a £64m reduction in the losses at its pay-TV operation, which has been merged into Canal Plus, Europe's largest pay-TV operator, helped offset the impact of marginally lower operating profits of £240.6m in the luxury goods sector. Tobacco profits were marginally higher at £820.9m.

Richemont indicated that, allowing for the strength of sterling, the underlying performance of the two businesses was much stronger. Sales of £4.66bn were 10.8 per cent higher at constant exchange rates, and the operating profit of the tobacco operations grew 15.9 per cent after adjusting for currency factors.

Vendôme, the group's luxury goods business which reports in Swiss francs, increased operating profits by 15.2 per cent to SFr577.5m ($387m). Richemont increased its dividend by 22.3 per cent to £11.50, which was marginally less than the 27.4 per cent increase in earnings per share to £67.22.

Johann Rupert, chief executive, said that in spite of the problems in Asia, Richemont's luxury goods business, whose brands include Cartier watches and Montblanc pens, had held up well.

Sales of "hard" luxury goods had done particularly well, while "soft" goods, such as leather products had been more affected. Dunhill had had a "bad" year but Richemont, which paid £1bn to buy out the minority shareholder in Vendôme earlier this year, has taken steps to strengthen Dunhill's management.

Richemont, which celebrates its 10th anniversary this year, has lifted its earnings in sterling terms at a compound rate of 18 per cent a year since the company was formed, said Mr Rupert. The group's shares rose SFr55 to SFr1,979 yesterday.

Richemont owns 67 per cent of Rothmans International, the fourth largest international tobacco company, which employs 20,000 people in 38 factories. The remaining shares are owned by Rembrandt, the other quoted arm of South Africa's Anton Rupert family.

In spite of the litigation clouds overhanging the industry, Mr Rupert retains his faith in tobacco's cash-generating potential.

Rothmans sales volume increased 3 per cent last year. In France cigarette volume rose 40 per cent. But volumes declined in several established markets, notably South Africa and Germany.

# PolyGram bid hit by delay

By Alice Rawsthorn

Seagram's efforts to clinch a provisional agreement with Philips for its $10.6bn bid to win control of PolyGram, the world's largest music group, have been delayed because of the need for additional due diligence.

Teams of advisers for Seagram and Philips have been working flat out on both sides of the Atlantic to conclude the agreement – which is required by law in the Netherlands, where Philips and PolyGram are based – since they signed a letter of intent four weeks ago.

A draft press release announcing the accord and the proposed appointment of Doug Morris, chairman of Seagram's Universal Music subsidiary, as head of its enlarged music operation, was drawn up in Seagram's New York headquarters on Tuesday last week.

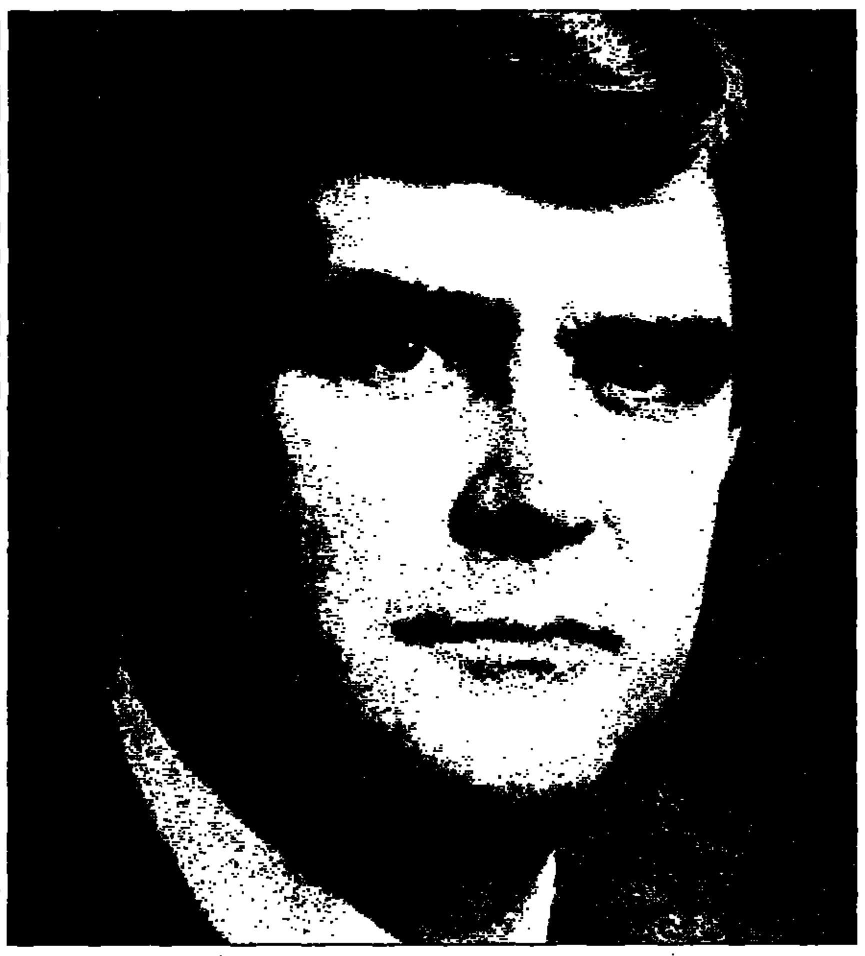
Seagram, advised by Morgan Stanley, and Philips, represented by Goldman Sachs, expected to sign the provisional agreement at the end of last week.

A series of obstacles has prevented completion. There is, as yet, no indication from either camp that these problems are insuperable, but it is understood that additional due diligence is required.

If all goes well, the deal could be finalised today. Otherwise, Seagram and Philips will work through the weekend in the hope of signing early next week.

The delay in clinching the PolyGram deal follows the news that Seagram may consider a private sale of its Tropicana fruit juice business, rather than risk staging an initial public offering in the volatile stock market.

Shares in Seagram, which originally hoped to raise up to $4bn from the Tropicana issue, fell $⅝ to $41½ in New York yesterday, close to the $41 to which it soared on the day it announced the PolyGram acquisition.



# Alcatel seat for Fiat chief

By Robert Graham in Paris

Paolo Cantarella (left), vice-president and chief executive of Fiat, the Turin-based automotive group, was yesterday made a new board member of Alcatel Alsthom, the French telecommunications and engineering group.

This is Mr Cantarella's highest profile board membership outside Fiat. The move comes two years after Alcatel sold its 2 per cent stake in Fiat, but the two groups have retained close links.

The appointment was endorsed yesterday by Alcatel Alsthom shareholders at their annual meeting. The meeting proposed payment of a cash dividend of FFr11.5 a share, up from FFr10, after registering net income in 1997 of FFr4.7bn ($783m).

Shareholders also approved a change in the company's legal name, simplifying it to Alcatel – effective from September.

**FRANCE** POOR HEDGING AGAINST US DOLLAR HITS DRINKS GROUP

# Rémy blames FFr621m loss on bad management

By Andrew Jack in Paris

Poor currency hedging against the strengthening US dollar and the crisis in Asia helped drag Rémy Cointreau, the French drinks group, into annual losses of FFr621m ($103.5m), compared with a FFr36m profit the year before.

For the year to March 31, the wine, spirits, champagne and cognac business reported a loss of FFr538m, compared with FFr461m in the previous 12 months. That included FFr121m on currency losses.

Separately, it reported exceptional losses of FFr643m, compared with FFr101m last time, including FFr383m written off in dollar options, as well as FFr151m for a restructuring of its production and distribution activities completed last month.

The group's results were in line with a profits warning announced at the start of this year, and were a result of what the group described as "bad management" which had led to the departure of some of the employees in its treasury division during 1997.

Rémy Cointreau said it was confident that its restructuring programme, the sale of non-core activities and continued sales increases would result in a positive cash flow and operating profit in 1998-99.

The Asian crisis reduced the sales of cognac by 9.3 per cent to FFr2.1bn during the 1997-98 year, while all the group's other products reported increases. Total sales were up 5.8 per cent to FFr7.6bn.

Sales of its landmark Cointreau liqueur rose 9 per cent, and Piper-Heidsieck and Krug champagnes saw double-digit growth.

Sales of the Famous Grouse and Macallan scotch whiskies through Rémy Associés, its distribution subsidiary, had grown faster than the market.

The group said it was close to announcing the first of several distribution joint ventures and that last minute delays had prevented it unveiling the first contract in Europe yesterday.

It said the partners were likely to take stakes in Rémy Associés but said they would not invest in the quoted parent company, which is 70 per cent controlled by family shareholders.

The sale of non-strategic assets should reduce its debt and add more than FFr1bn in cash.

The sale onto the French second marché of 20 per cent of its Tonnellerie Seguin Moreau division on Wednesday gave it a further FFr150m.

# Bosch predicts big sales rise

By Haig Simonian in Germany.

Robert Bosch, the world's biggest independent car parts group, expects to lift sales of its innovative Electronic Stability Programme (ESP) for avoiding car crashes by a factor of 10 this year.

ESP gained famed last October after Mercedes-Benz decided to fit the anti-skid system as standard equipment to improve the stability of its new A Class small car.

Robert Oswald, a board member, said the company expected to increase sales of ESP equipment from 40,000-50,000 last year to "around 500,000" units in 1998. "Within a few years, sales will be in the range of millions of units a year from Bosch alone," he predicted.

The rise in interest, which stems from the much publicised tendency of the unmodified A Class to overturn in certain extreme manoeuvres, has led volume car makers to offer ESP technology much sooner than expected. According to Bosch's original plans, installation would be restricted largely to luxury models, with demand only gradually trickling down to the volume sector, as happened with anti-lock brakes 10 years ago.

"The market is developing much faster than we earlier expected. The decision by Mercedes-Benz accelerated that sharply. We have reassessed our market growth forecasts, and now expect a much faster expansion."

Mr Oswald said Bosch, which installed the first ESP system in 1995, was now working on new generations which would be simpler and cheaper to manufacture. He argued Bosch would be able to retain its lead, despite the fact that other manufacturers of electronic braking technology were moving into ESP.

Mr Oswald said Bosch also planned to expand in the market for brakes in the heavy commercial vehicles sector. Talks had reached an advanced stage to join the international joint venture between Knorr-Bremse, the privately owned German brake specialist, and Allied Signal of the US, he said.

While Knorr and Allied Signal had a strong presence in hydraulic braking systems for trucks, Bosch has specialised in electronic technology. Mr Oswald would not predict when the talks would be finalised, but said Bosch would contribute assets and technology as its entry ticket into the joint venture.

## NEWS DIGEST

**BIOTECHNOLOGY**

### Pharming seeks up to Fl 120m via Easdaq

Pharming, the Dutch biotechnology company known for cloning animals and equipping them with human genes, is to raise Fl 100m-Fl 120m ($50m-$60m) through a share flotation on the Brussels-based Easdaq electronic exchange. Mees-Pierson, the Amsterdam merchant bank, is leading an issue of 4.1m new shares to be offered in Belgium and the Netherlands and through a private placing with US institutions.

The nine-year-old company expects in the future to list on the Amsterdam stock exchange, where rules have not yet been relaxed to allow a main board quotation for groups lacking a profit record. Pharming made a net loss of Fl 6.2m last year, on revenues of Fl 5.8m.

Its income has depended on patents and research grants, but by the end of next year it intends to market its first medical treatment.

The Leiden-based company is to use the proceeds for the development of its pharmaceutical products as well as building production facilities. The new issue represents some 35 per cent of its expanded ordinary capital. Trading is due to begin on July 2. **Gordon Cramb, Amsterdam**

**BANKING**

### Goldman buys Hapoalim stake

Goldman Sachs, the US investment bank, yesterday paid $130m for a 3.6 per cent stake in Bank Hapoalim, Israel's largest, stepping up its presence in the local market. The Arison Group, the consortium that bought 43 per cent of Hapoalim's shares from the government last year, sold Goldman Sachs half the stake. The remainder was sold by the government. Each of the sales was part of a "tag along" clause in the agreement when the government sold Hapoalim to Arison. **Judy Dempsey, Jerusalem**

**COPPER**

### German group in DM700m issue

Norddeutsche Affinerie, a German company which is one of the world's leading copper producers, plans a share issue which analysts estimated could raise about DM700m ($391m). The shares will be offered to the public in Germany as well as through a private placement abroad.

The bookbuilding price range for the 22.4m shares – representing 70 per cent of the share capital – will be decided next Tuesday. Analysts said this was expected to be between DM25 and DM30. A further 3.2m shares will be available as a greenshoe in case of over-subscription. The shares will come from the current shareholders, including Degussa, the German industrial company, with 30 per cent, Inmet Mining of Canada with 35 per cent, and MIM Holdings of Australia, also with 35 per cent. These companies will hold stakes of a maximum of 10 per cent each after the issue.

Norddeutsche Affinerie, which has annual sales of DM2.7bn and last year earned net income of DM61m, produces about 500,000 tonnes of copper a year. Deutsche Bank will act as global co-ordinator for the share issue, which is being handled by a consortium of German, Dutch and Swiss banks. The subscription period will run to July 3.
**Andrew Fisher, Frankfurt**

**NORWAY**

### Norsk Hydro sells Saga shares

Norsk Hydro, Norway's largest industrial group, yesterday sold a 10.7 per cent stake in Saga Petroleum for NKr1.84bn ($242.5m). The group said proceeds from the share sale, placed with Norwegian brokers Elcon Securities, would support its annual investment programme of NKr12bn.

Norsk Hydro sold 14.4m shares at NKr127.50 a share. The disposal leaves Statoil, Norway state-owned oil group, as Saga's largest shareholder with 15.1 per cent of the share capital. **Tim Burt, Stockholm**

**SWEDEN**

### Volvo cuts Eslöv jobs

Volvo, the Swedish automotive group, said yesterday it was cutting more than 20 per cent of the workforce at its Eslöv excavator plant in southern Sweden. The move follows its decision to shift responsibility for the excavator business to South Korea, where it is acquiring the construction equipment arm of Samsung Heavy Industries for $572m. Volvo said it would lay off 165 of the 750 workers at the Eslöv plant. "Another reason for the cutback is that the profitability of Volvo Excavators is unsatisfactory and that competition in the industry has increased in recent years," the company said.
**Tim Burt**





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# Opel chairman makes the move to Moscow

**David Herman's favourable comments on former Soviet Union can now be seen in a different light, writes Graham Bowley**

Last month, two weeks before he was moved on, David Herman, chairman of Opel, the German subsidiary of General Motors, claimed no knowledge of his fate. However, his thoughts were already straying from Germany.

"[Because of the Asian crisis] an interesting thing is about to happen. The whole world is about to reorientate itself towards the former Soviet Union," he had said.

Within a fortnight it became clear that the man who had steered GM's international operations through some of its most troubled times – including the acrimonious court battle over Jose Ignácio López, the GM executive who went to work for VW – was about to be moved.

After more than six years at the Opel helm, the 52-year-old New Yorker was transferred to Moscow to oversee GM's expansion in the former Soviet Union. GM immediately proposed Gary Cowger, who had been head of the group's Brazilian operations, as his successor.

In spite of his claim that no change was afoot, it seemed inevitable that Mr Herman would be moved. For months rumours had swirled around Opel's Rüsselsheim headquarters about an impending change of dynasty. There was friction between Mr Herman and GM's top brass in Zurich and Detroit about declining profits. Opel lost DM228m ($127m) last year and lost ground to arch rival Volkswagen in western Europe. Its western European market share, including the UK, slipped from 12.6 per cent in 1993 to 11.7 per cent last year, according to Standard & Poor's DRI.

In his final address as chairman, Mr Herman yesterday cautiously forecast a return to profit this year.

However, he warned that Opel's return to the black would depend on how quickly the Astra, one of GM's most important models, could be brought into full production.

There has for some time been doubts about the quality of Opel cars, about delays in new models and about the company's role as the linchpin for GM's expansion outside the US. The launch of the Astra was delayed and as a result the new VW Golf beat it to the market.

Louis Hughes, president of GM's international operations, was said to have clashed with Mr Herman. Mr Cowger, who had moved from Brazil to be GM's production manager in Europe, was lined up as the possible successor. Only Opel's supervisory board, which was unsettled by Mr Cowger's reputation for ruthless cost-cutting, appeared to be delaying the inevitable.

One of the biggest criticisms of Mr Herman was that he had been distracted by GM's long-running battle with Volkswagen over alleged industrial espionage involving Mr López. The row, settled last year, blew up after Mr Herman arrived in Rüsselsheim from Sweden, where he had headed GM's Saab subsidiary.

Mr Herman appears affronted by these charges. The new Astra, he says, is one of the two most important achievements of his time at Opel. He insists its quality did not suffer because of the López affair.

"You have to play with the cards you are dealt. My misfortune was that I came here just as this scandal was beginning to unfold," he says. "My ethics and my sense of justice meant that I had to defend my company. But I cannot say my other work suffered because I had to deal with the public aspects."

However, the Opel chief conceded the company fell behind by not offering customers enough new car models. He has tried to put that right with the Astra, which marked the start of "the most extensive product offering in the history of the company". In an attempt to match VW's own impressive product offensive, this offering includes 26 new models over the next five years.

His second big achievement was the controversial labour agreement finally struck with the Opel workforce in January. The agreement hammered out with the powerful German unions will curb wages and cut around 4,000 jobs in return for investment of at least DM800m to make the Rüsselsheim plant one of the most modern and efficient in Europe. This, in spite of Opel's short-term difficulties, demonstrates GM's long-term commitment to Germany, Mr Herman says.

"It is expensive to produce in Germany. But we are going to do it," he says. "We will be the most competitive manufacturer in Germany. That is our objective."

For Mr Herman, it is important to leave a legacy in Germany. He has been keenly involved in public debate about tackling the country's problems, such as high costs and inflexible working practices. He has been a stout defender of Standort Deutschland – Germany as a manufacturing location.

"I have tried hard to do that [engage himself in Germany]. My wife is German. My children speak better German than I do. The German government looks on me as a partner," he says. He is well qualified for his next job in Russia – his parents were Belorussian and he took Russian studies at Harvard.

But the former Soviet Union might well prove a tougher challenge than Germany.

*Additional reporting by Andrew Fisher.*

David Herman: Rumours swirled around Opel's Rüsselsheim headquarters about change

**VEHICLES** LIGHT CAR TO BE USED AS BASE

# Mercedes unveils plan for 'city van'

**By Haig Simonian, Motor Industry Correspondent**

Mercedes-Benz, the vehicles subsidiary of Gemany's Daimler-Benz group, yesterday confirmed industry speculation it would move into the market for light car-derived vans by developing a new "city van".

The vehicle is expected to be based on the innovative small A Class passenger car launched last October.

Mercedes-Benz said it expected to sell 40,000-50,000 city vans, weighing less than 2 tonnes, a year. It expects sales of such products, widely used for inner-city deliveries and by small traders, to reach 500,000 units a year after 2000. About 410,000 such vehicles were sold in Europe last year.

The new van is likely to be built at Ludwigsfelde, a former east German commercial vehicles plant taken over by Mercedes-Benz after reunification. Many observers expected the van would be made alongside the A Class at the heavily modernised Rastatt plant in southern Germany.

However, Rastatt, which has the capacity to build 200,000 A Class cars a year, will be stretched to meet expected demand for the passenger variant. The company may also have been anxious not to damage the A Class's up-market image by building a van on the same site.

Moreover, Ludwigsfelde, which currently builds the Vario heavy van range, will need a new product once the vehicle reaches the end of its product life: Mercedes-Benz is expected to meet demand for high payload vans such as the Vario through a heavier derivative of its medium-weight Sprinter van and a lighter variant of its new Atego truck range.

However, the company also raised the possibility that the new city van might be built in Poland, where it already assembles vans and trucks.

Although Mercedes-Benz is unlikely to locate production in Poland, in spite of the country's low manufacturing costs, the threat of a second location could be used to secure concessions from the Ludwigsfelde workforce.

Maintaining two options might also enable the company to play off inward investment agencies in Poland and in Ludwigsfelde's home state of Brandenburg.

Rolf Bartke, the head of Mercedes-Benz's European vans unit, said: "We are in the middle of the decision-making phase and are involved in intensive negotiations with all those involved, including employee representatives as well as politicians. We intend to make a decision as to the final location within the course of the year."

# UBN signs far-reaching alliance with Gjensidige

**By Tim Burt in Stockholm**

Union Bank of Norway, the country's largest savings bank, yesterday announced a far-reaching alliance with Gjensidige Group, Norway's second biggest insurer, to create a financial services group with combined assets of NKr214bn ($28.2bn).

The deal, which falls short of a merger, follows six weeks of talks between the two institutions and could trigger further consolidation in the Norwegian banking and insurance sector, which has been slower than its Scandinavian neighbours to restructure.

In recent weeks, Fokus Bank, one of the country's leading lenders, has signalled that it might be interested in a link-up with UBN and Gjensidige, and Christiania Bank has courted Storebrand, although the insurance group has so far rebuffed it.

Current financial services regulations in Norway prevent a full-scale merger of UBN and Gjensidige, but the two yesterday said they had agreed a formula to create an integrated financial services group – albeit with a separate capital structure.

"It will be one of Norway's leading market participants in both insurance and bank markets, while also having strong market positions in all other significant financial services segments," said Kjell O Kran, president of UBN and chief executive-designate of the enlarged group.

In a joint statement with Sverre Hoegh Krohn, chief executive of Gjensidige, Mr Kran predicted that the new group would realise synergy savings of NKr200m in the first two years.

"We have identified opportunities for cost savings measures in a number of areas," he said.

The enlarged group, to be called Gjensidige NOR, will have 404 branches across Norway, 8,000 employees and more than 2.1m customers.

In addition to a retail banking and insurance link-up, the alliance will create an enlarged mutual funds business and a stock-broking operation combining Karl Johan Fonds and Elcon Securities, the broking arms of UBN and Gjensidige respectively.

UBN has agreed to an asset swap in which it will acquire Gjensidige's banking operations for NKr2.17bn, while the insurer will pay NKr585m for the bank's insurance arm – known as NOR Forsikring.

The bank is funding the acquisition through a NKr2bn private placement, which is likely to take place in the second half of this year.

Advisers acting for UBN said the government was expected to approve the transaction, even though it has signalled its readiness to block deals – notably the attempted takeover of Bolig-og Naeringsbank by Den norske Bank – which threatened a "concentration" of the financial services industry in Oslo.

*Merrill Lynch advised UBN; Morgan Stanley Dean Witter acted for Gjensidige.*

**PETROCHEMICALS** ATLANTIC RICHFIELD CONSIDERS $5.6bn OFFER FROM LYONDELL

# Arco Chemicals under offer

By Christopher Parkes in Los Angeles

Atlantic Richfield's plan to sell its 82 per cent stake in Arco Chemical outright is back on track less than a month after the group said it had elected for a public offering to raise cash.

The Los Angeles-based group's board met yesterday to consider a tender offer, worth $5.6bn according to press reports, from Lyondell Petrochemical, a mid-sized commodity chemicals maker based in Houston.

For Lyondell, which has annual sales of about $2.5bn, a successful bid for Arco's $4bn-a-year chemicals operations would mark one of the biggest steps in its series of deals to buy up basic chemicals assets.

Last year the company joined forces with Millennium Chemicals to form Equistar, which in March agreed to buy the unwanted chemicals operations of Occidental Petroleum.

For Arco, as with Occidental, the disposal highlights the oil majors' sharpened focus on core operations and efforts to maximise profitability at a time when oil and gas prices are relatively stable and world demand is growing only modestly.

Arco, for example, recently sold its coal business and agreed to pay $2.6bn for Union Texas Petroleum, a mid-sized oil concern.

The proposed sale to Lyondell marks a return to the path preferred by Arco, which recently announced plans for a secondary public offering of part of its stake in Arco Chemical to raise cash for the Union Texas acquisition.

A public offering was chosen, the company said, because although it had been approached by companies wanting to buy the whole stake, none had been ready to pay a high enough price and Arco's "strong preference" for cash over stock deterred them.

The company had expected that plan, which could be resurrected if the Lyondell offer is rejected, to raise $1.4bn in cash, remove about $1bn in debt from its balance sheet, and reinforce its ability to shop for more oil and gas assets.

Lyondell is a former subsidiary of Arco, which sold its remaining stake last year after an initial public offering of a majority of the shares almost 10 years ago.

The company's current line of products includes ethylene and propylene which are raw materials for a wide range of consumer and industrial products. Arco Chemical would extend its range by giving it capacity and expertise in the manufacture of propylene oxide.

Arco is one of the world's leading makers of this product which is used as a basic building block in the manufacture of solvents, paints and coolants. The company also makes methyl tertiary butyl ether, a key motor fuel additive in clean-burn fuels.

# Cross-border ties urged on banks

By George Graham, Banking Editor

Medium-sized banks will have to follow the example of the airline industry by forming cross-border alliances, according to a senior Canadian banker.

Peter Godsoe, chairman and chief executive of Bank of Nova Scotia, said that a bank of this size "can't be all things to all people" and must ally with others to provide a full range of services.

"I think the airline industry is teaching us that code exchanges can be extremely good for your shareholders and your customers," he said.

Scotia is the odd one out among Canada's five principal banks following Royal Bank of Canada's agreement to merge with Bank of Montreal and Canadian Imperial Bank of Commerce's merger with Toronto-Dominion Bank.

Mr Godsoe argues that the Canadian government, which is considering both mergers, should not allow them to proceed.

"It would not be allowed in the UK and it would not be allowed in the US. We have pushed the public policy envelope to the very limit," he said.

But ground-breaking deals such as the merger between Daimler-Benz of Germany and Chrysler of the US showed that cross-border mergers, until now considered virtually unthinkable in retail and commercial banking, could soon be a possibility. "It broke the way a lot of people thought. Nobody would have let Chrysler merge with GM or Ford – even if the government allowed it, the unions wouldn't."

Mr Godsoe said it was questionable whether there was any point in allowing dominant groups to merge in the home market with the theoretical aim of enabling them to compete internationally.

"Frankly, even the merged Canadian banks are not going to be the megabanks of the future. If we Canadians put all our banks, all our insurance companies and all our securities dealers together, we still would not match the size of the two new US groups, Citigroup and Bank of America/NationsBank."

If the mergers were authorised – "an even-money bet", according to Mr Godsoe – Scotia could benefit in the short term from the inevitable disruptions to its competitors' business.

In the longer term, it would have to cut costs to remain competitive, but it already has programmes which should produce 10 per cent cost savings over the next two to three years.

Scotia could be better placed to manage these cost reductions because the merged banks would have their hands tied by the commitments demanded in exchange for government approval.

**TELECOMMUNICATIONS** CANADIAN OPERATOR INCREASES ITS UNSOLICITED BID BY 10%

# Call-Net raises Fonorola offer

By Scott Morrison in Toronto

Call-Net Enterprises, the Canadian long-distance operator, has increased by 10 per cent its offer for Fonorola, a rival carrier.

Call-Net, 25 per cent owned by Sprint, the US long-distance carrier, said it would pay C$1.78bn ($1.21bn) in cash and shares. It would also assume an estimated C$100m in net debt. Fonorola said it would consider the revised bid, but added that it would seek competing offers to improve shareholder value. It has said it was considering bids from three potential white knights, but no other offers have been made public two months after Call-Net's initial bid.

Fonorola has activated a poison pill to fend off Call-Net.

The latest bid, which expires on June 26, included a 3 per cent premium over the closing price of Fonorola shares on Tuesday, but the stock had since risen above Call-Net's C$67 a share offer and stood at C$69 at midsession yesterday.

Juri Koor, Call-Net chief executive, said his company was determined to complete the Fonorola acquisition as soon as possible. The deal would position Call-Net, through wholly-owned subsidiary Sprint Canada, as the country's largest long distance carrier in a market valued at an estimated C$8.6bn.

As in the US, the Canadian long-distance industry is expected to consolidate over the next year as carriers adapt to changing market conditions. AT&T Canada, 75 per cent owned by three Canadian banks, was earlier this year involved in talks with Telus, the Alberta carrier, but the two companies failed to reach an agreement.

Favourable market conditions on Wall Street lifted Lehman Brothers and Morgan Stanley Dean Witter

# Investment banks post record second quarter

By Tracy Corrigan in New York

Wall Street looks set to produce another round of bumper profits, after two more US investment banks yesterday reported record earnings for the second quarter.

Favourable market conditions helped lift earnings at Lehman Brothers and Morgan Stanley Dean Witter, which both came in well ahead of analysts' estimates, suggesting that the market may have underestimated the positive impact of heavy securities volume and merger activity on profitability.

Goldman Sachs reported record earnings on Monday.

Lehman reported a dramatic 168 per cent jump in net income to $324m in the second quarter, on revenues of $1.47bn, easily beating its previous record of $197m in the third quarter of 1997.

Return on equity, a key measure of profitability in the industry, rose to nearly 30 per cent, Lehman's highest ever, up from 12.8 per cent a year ago. (This is calculated before the payment of a special dividend to American Express and Nippon Life, which is payable when Lehman's net income for the full year exceeds $400m).

The recovery of Lehman's return on equity, which had been well below average for several years, is likely to be viewed as the latest sign of a return to form for the investment bank. It was now "at or above our peers", said John Cecil, chief administrative officer. He said that the improved performance was a result of the firm's strategy, implemented in 1994, of growing high-margin businesses while maintaining strict cost controls.

Compensation and benefits remained at 50.7 per cent of net revenues. Mr Cecil said that the firm planned to expand its European business, which has had a record year so far. He said the firm will be adding to the 2,000 staff currently employed in Europe in a number of areas, including high-yield finance.

Morgan Stanley reported net income of $854m, up 45 per cent from the previous year, on revenues of $4.6bn.

Return on equity in the quarter was 25 per cent. While the securities business had been particularly strong, Bob Scott, finance director, said the firm was "gratified by the balance" of earnings from securities, asset management and credit services.

The securities business posted net income of $530m, up 70 per cent, while asset management made $157m, up 5 per cent. Credit and transaction services reported net income of $167m, up 29 per cent, primarily reflecting the sale of a credit card portfolio.

Morgan Stanley's online brokerage, Discover Brokerage Direct, continued to grow its account base and transaction volume, but is not yet profitable.

Morgan Stanley recently created a new unit, Morgan Stanley Dean Witter Direct Business. It appointed Tom Schneider, formerly finance director at Dean Witter, to oversee the company's push into online activities, initially in securities through Discover Brokerage Direct, but this "will likely expand to include banking and insurance", according to an internal memo.

Eric Roach, currently president of DBD, will join the direct business group and relocate to New York.

# Amdocs plans IPO 'to raise $270m'

By Avi Machlis in Jerusalem

Amdocs, the Israeli manufacturer of information systems for telecommunications providers, was last night preparing to price an initial public offering of 9 per cent of its shares in an issue expected to raise about $270m. If successful, analysts said it would be the biggest IPO of an Israeli company on Wall Street. The shares will be listed on the New York Stock Exchange.

According to the prospectus, 18m shares are expected to be priced at $14-$16 each. Some 20 per cent of the total will be offered outside the US. At mid-range, the entire company would be valued at nearly $3bn.

Underwriters for the issue are Goldman Sachs, Morgan Stanley Dean Witter, BancAmerica Robertson Stephens, BT Alex Brown and Lehman Brothers.

Amdocs plans to use the proceeds to repay heavy debts. Financing costs have kept the company's profits down. In addition, the company recorded a shareholders' deficit of $291m on March 31 1998, after recently paying shareholders $478m in dividends. It had revenues of $290m and a net loss of $12.3m – after one-off charges of $54m – in the year ended September 30.

Analysts say Amdocs is well poised to profit from the expected expansion of telecommunications providers across the globe. It has established itself as a leader in its field with products such as billing systems for cellular operators.

Welsh Carson Anderson & Stowe, a private investment company from New York, is the principal shareholder, and will hold 29 per cent after the offering. SBC International of the US and Amdocs International, a private company controlled by founder Morris Kahan, will each hold 23 per cent after the offering.

Amdocs employs some 2,500 high-tech specialists, including 1,900 in Israel. The company has a marketing headquarters in St. Louis, Missouri, and is registered in Guernsey, Channel Islands.

NORMA COHEN
**THE PROPERTY MARKET**

# A measure yielding little

Traditional methods of calculating the returns on property are misleading as they ignore too many of the costs involved and assume rents will rise

Scarcely a week passes without the publication of yet another UK property research circular forecasting falling vacancy rates, rising rents and, best of all, falling property yields.

It is perhaps this forecast for property yields – capitalisation rates in the US – that is most interesting of all. At the core lie assumptions about the financial characteristics of property and their relative attractiveness to investors.

A recent circular from consultants Hillier Parker notes that the firm's bespoke All Property Average Yield shows the widest lead ever recorded over UK government gilts, 150 basis points. Property yields will fall, the argument goes, because they have almost always been lower than those on gilts and logic dictates that they will move back into proper alignment.

This raises two interesting questions. First, why should investors measure the value in property as though it had the qualities of a government bond? After all, government bond yields represent the risk-free cost of capital. Why should a property investor, buying a far riskier asset, be prepared to accept a yield lower than, or even equal to, that on gilts? For the higher risk he ought to expect a higher return and the only question should be how much higher.

Michael Mallinson, former head of property investment at Prudential Portfolio Managers and head of a 1995 working group that recommended reforms in the valuation process, says that expectations of future rent increases are the justification for the sub-gilt yields on property that have prevailed historically.

"In the last boom, people would buy retail property at yields of 3¼ per cent when gilt yields were 12 per cent," he says. "When property yields are above those on gilts the market is saying rents are not going to rise any more."

However, during the recession of the early 1990s, rents actually fell, in spite of the prevalence of long-term leases that allowed for upward-only rent reviews every five years. Should this not have caused a pause for thought about the yields investors were prepared to accept?

"The argument about property yields is founded on a belief that rental growth expectations will more than cancel out the risk premium (over gilts) that investors should demand," says Andrew Baum, chief investment officer at Henderson Real Estate Strategy and professor of land management at the University of Reading, near London.

"But with low inflation and depreciation expense, it may well be that yields should be higher," he says.

Christopher Jonas, who runs a property advisory boutique, notes that with inflation stripped out, real gilt and property yields over the last 20 years in the UK have been roughly equal.

**'It's useful if an investor wants a one-dimensional view of the price of a property'**

Property yields no better than those on risk-free investments might be justified if total returns are substantially higher. UK equities, for instance, currently offer dividend yields around 2.8 per cent, well below both gilts and property.

But Mr Jonas points out that between 1978 and 1998 the FTSE index produced average annualised total returns of 18.3 per cent while UK 10-year gilts produced total returns of 13 per cent. Property had total returns of 14.5 per cent, arguably too small a margin over gilts to justify gilt-like yields.

Could these numbers suggest that people are paying too much for property?

The second, equally troubling question about the relevance of of yield as measure of value in property arises on examination of how it is calculated.

Yield, as it is calculated, does not take into account all the costs associated with the ownership and management of a particular property. For instance, it makes standard assumptions about transaction costs, although these vary widely. Also, it generally assumes that in a single-let property all overhead costs are borne by the tenant, makes no allowance for organisational management charges and excludes the cost of finance.

Therefore a variety of operating costs that ought to be deducted from rental income are not. A more realistic picture of a property's yield is arrived at by looking at what US analysts call cash-yield-on-cost, says Mr Baum.

Thus, a company able to pare its operating overhead, lower its tax rate or cut its cost of borrowing in fact earns a higher yield on its properties.

To pretend that these costs do not exist is folly.

"Yields are extremely misleading pieces of information," Mr Baum says. "It's the emperor's new clothes syndrome. We all use these terms without really thinking about them."

Henderson's target yields are the current government bond yield, plus a premium for uncertainty and illiquidity, minus a discount for rental growth, plus a premium for depreciation, he says.

John Lutzius, analyst at Green Street Advisors, a California-based firm specialising in real estate securities, says that yield is useful mainly for general comparisons of property. "It's about as useful as a price/earnings ratio for equities," he says. "It's useful if an investor wants a one-dimensional view of the price of a property."

Net cash extracted from an investment, he argues, is much more meaningful. For instance, Boston Properties Inc, a US real estate investment trust, recently purchased the Embarcadero Centre in San Francisco for $1.22bn (£740m), prompting suggestions that it had overpaid.

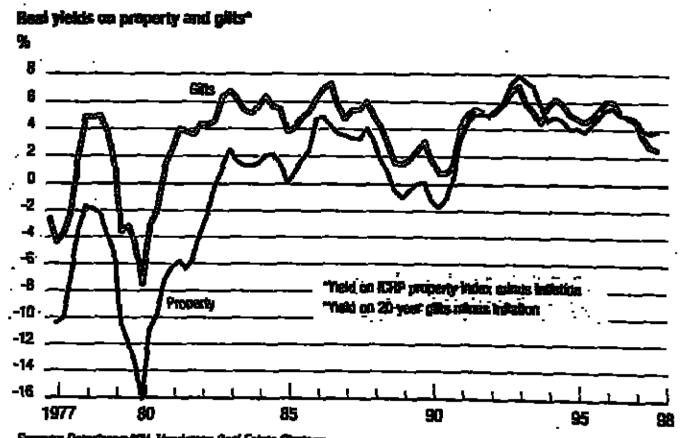
Green Street's forecast for net operating income – which takes some management costs into account – produce a projected 1999 yield of 7.4 per cent. But on a cash basis, including debt finance and administrative expense, the yield is 6.2 per cent. This compares with a current 10-year US Treasury note yield of 5.4 per cent.

Better measures of value, he argues, are discount of purchase price to replacement cost or internal rates of return.

Yield, he says, is something Green Street calculates "because our customers like it. But we just ignore it."

**Risk and return**

Real yields on property and gilts*




Sources: Datastream/ICV, Henderson Real Estate Strategy

Building specific risk premiums

%

| Factor | Building A | Building B |
|---|---|---|
| Base | 3.3 | 3.3 |
| Tenant | 1.5 | 0.5 |
| Lease | 2.0 | 4.3 |
| Building | 0.5 | 0 |
| Location | 0 | 0.3 |
| Total | 7.2 | 8.3 |
| Bond yield | 7.0 | 7.0 |
| Required return | 14.2 | 15.3 |

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**BANKING** MOODY'S MOVE TRIGGERS CONCERNS OVER JAPANESE GROUP'S ABILITY TO ABSORB A CREDIT SQUEEZE

# LTCB's subordinated debt downgraded

By Gillian Tett

Moody's, the US credit rating agency, yesterday announced that it would downgrade the subordinated debt of Long-Term Credit Bank of Japan from Ba1 to B1.

The move, which leaves the debt rated at junk bond status, was triggered by growing concerns about LTCB's financial health, in particular its weak capital base and its ability to absorb a credit squeeze, Moody's said.

The move is a new blow for the credit bank, which has seen its share price fall sharply in recent weeks, touching a low of Y105 on Wednesday. The shares yesterday rebounded slightly, closing at Y126, up Y3 on the day.

Although the subordinated debt rating usually receives less attention than the senior debt rating, long-term credit banks such as LTCB have traditionally relied heavily on subordinated debt for funding.

LTCB has recently tried to stem rumours it could face a liquidity squeeze in the coming weeks, and has asked the Securities Exchange Surveillance Commission to investigate them. It has also denied in two recent press conferences that its alliance with Swiss Bank Corporation was weakening.

LTCB concluded a groundbreaking alliance with SBC last summer which involved three joint ventures covering investment banking, asset management and private banking.

SBC has indicated it was unwilling to rescue the core business of LTCB if it fell into serious financial difficulties, but it is strongly committed to the joint ventures and holds a 1 per cent stake in LTCB.

Moody's said the closely watched rating for senior debt and deposits had not yet been downgraded, although both are on review.

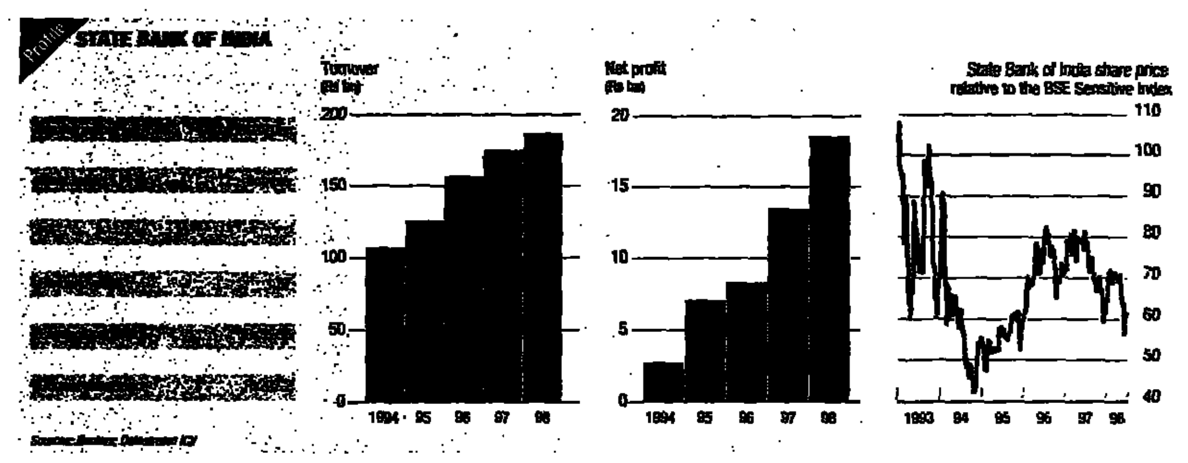
If Moody's downgrades LTCB's senior debt, it will be placed in so-called "junk bond" status as well, as the debt is currently rated at Baa3 – or one notch above junk bond.

Separately, Standard & Poor's, the US credit rating agency, announced it was downgrading Mitsui Trust from BBB+ to BBB- because of concerns about its high level of bad loans. This leaves the rating at one notch above junk bond level.

It also said it would place the credit ratings of Mitsubishi Trust and Sumitomo Trust on review for a possible downgrade. The two banks are currently rated at A-.

Shares in Mitsui Trust yesterday closed up Y53 at Y338, while Sumitomo Trust rose Y94 to Y684 and Mitsubishi Trust gained Y190 to close at Y1,190.

# State Bank of India advance beats forecasts




By Kunal Bose in Calcutta and Krishna Guha in Bombay

State Bank of India, the country's largest bank, yesterday reported a 40 per cent increase in net profit to Rs18.61bn ($429m) for the year to March 31, beating analysts' expectations.

"It is to the credit of the bank that record profits could be earned even though advances did not grow fast enough in the first half and there was a slowdown in the economy," said M. S. Verma, chairman.

The bank's results will provide a tonic to India's equity markets, which have been battered recently by sanctions and a protectionist budget. The figures also suggest that India's economy, although slowing, is still far from the recession seen in many south-east Asian countries. There are few signs yet of a big increase in corporate default.

However, there is also little evidence of an imminent recovery. The restrained growth in credit – concentrated in a few big loans completed at the end of the fiscal year – suggests companies are still reluctant to borrow to invest.

The bank's total income was up 6.3 per cent at Rs186.99bn, and the share of fee-based income to total net income advanced from 33.03 per cent to 34.28 per cent. Domestic deposits rose 19.1 per cent to Rs1,235.49bn, while overseas deposits rose 17.8 per cent to Rs139bn.

There were advances in all the bank's important businesses, with strong growth in personal and commercial banking, investment banking, treasury operations and off-shore operations.

The bank increased provisions for bad and doubtful debts from Rs8.33bn to Rs11.514bn.

Non-performing assets are down from 7.3 per cent in 1996-97 to 0.67 per cent, while the capital adequacy ratio rose from 12.17 per cent to 14.58 per cent. Return on equity improved from 18.67 per cent to 19.37 per cent, and earnings per share were up from Rs26.66 to Rs35.36.

SBI will pay a dividend of Rs4 a share. The shares, however, lost Rs5 at Rp209.

Mr Verma said the bank was keen to be in both general and life insurance. "We are waiting for the sector to be opened up and we hope the banks will be allowed to diversify into insurance. Banking, credit-card operation and insurance will be a nice trinity for us."

Analysts said it was too early to give SBI a clean bill of health. They wanted more information on provisions, depreciation and write-back of assets.

# Telstra takes stake in WorldPartners alliance

By Alan Cane in London and Gwen Robinson in Sydney

WorldPartners, the global telecommunications alliance led by AT&T of the US, received a sharp boost yesterday with the decision of Telstra, the partially privatised Australian operator, to take a 10 per cent stake in the company.

Telstra joins AT&T, which holds 36 per cent, KDD of Japan, Unisource, a European group, and Singapore Telecom which each have 18 per cent in the company which is one of four global alliances seeking to secure the telecoms business of large multinational companies.

All the alliances have encountered turbulence in recent months. Concert, led by British Telecommunications, is suffering from the likely loss of MCI, its US partner. Global One, the Deutsche Telekom/France Telecom, Sprint venture is trading below expectations as is Unisource, the European alliance. An alliance between Cable and Wireless of the UK and Telecom Italia is facing political problems in Italy.

WorldPartners had been criticised for loose organisation and an apparent lack of focus. Telstra's support, however, will strengthen its Asia-Pacific operations where none of the alliances, with the exception of C&W, has much of a presence.

Telstra denied speculation it had paid as much as A$120m (US$73m) for the stake and said it was "not a significant outlay" for such a strategically important investment. "The real value in this is actually the assets the various companies bring to the table – it is not particularly in the 'sign-on' fee," Telstra said.

It said the equity stake would provide the company with a leading role in international telecommunications product development.

Frank Blount, Telstra chief executive, revealed earlier this week that Bill Gates, chairman of Microsoft, had proposed a joint venture on Telstra's broadband cable network. The two groups are set for "definitive discussions" on the proposal next month.

At home, however, Telstra came under increasing government pressure to maintain unprofitable rural operations ahead of the state's planned sell-off of its A$40bn two-thirds stake.

Rural electorates have opposed the flotation, which could be valued at more than A$40bn, fearing that a privatised telecommunications carrier would not maintain unprofitable services in Australia's isolated areas.

No date has been set.

# Regent Pacific doubles despite volatile markets

By Louise Lucas in Hong Kong

Regent Pacific, the Hong Kong based fund manager with a focus on emerging eastern European markets, saw net profits more than double in its first year as a listed company.

Net profits rose to US$73.72m in the year to March 31, from $30.83m the previous year, despite volatile markets in many emerging economies.

Peter Everington, chairman of Regent Pacific Fund Management, said it had weathered the storm better than its competitors largely because it sold its Asian mutual fund business in 1996 and its hedge fund was up 41 per cent last year.

"The fund management business is facing very difficult times. The mere fact we are able to grow – [funds under management grew 9 per cent] – is a very sharp difference from the industry as a whole," he said.

Regent Pacific expects growth over the next year to come largely from hedge funds and the new private equity business. The group is targeting $4bn of funds under management by the end of next year – double the current figure.

It also plans further expansion in the Korean market, following its move to gain control of Daeyu Securities in March. Mr Everington said the group would like to set up a fund management operation in the country within the next two years.

Regent Pacific is also setting great store by a private equity vehicle launched to buy distressed Asian debt. "We estimate one-third of Asian public companies today are in effect bankrupt. That's a tremendous opportunity for us," Mr Everington said.

The fund is aiming to pull in about $300m at first, and Regent Pacific is hoping to build it up to $1bn over the next year or two.

Regent Pacific's hedge fund activities have made it a target for criticism in Hong Kong during the recent speculative attacks on the Hong Kong dollar, but Mr Everington yesterday said that in the last few days the group had been covering its short positions.

"Donald Tsang, the financial secretary, should be grateful to us because we are a counter-influence on the currency at these times." However, he said that by selling the Hong Kong dollar forward, Regent Pacific had made "quite a nice amount of money".

Earnings per share for the year also more than doubled, from 3.3 cents to 7.6 cents in the year to March 1998. Total dividends rose by 76 per cent, to about 3.75 US cents.

## NEWS DIGEST

### ENTERTAINMENT

## Golden Harvest falls as suitor blocks stake bid

Shares in Golden Harvest Entertainment, one of the world's biggest distributors of Chinese-language films, fell 5.77 per cent yesterday after an Australian suitor attempted to block the purchase of a stake by a group of media moguls including Rupert Murdoch.

Village Roadshow, the Australian entertainment company, told Golden Harvest it may launch a takeover bid at 70 Hong Kong cents a share if Golden Harvest dropped plans to sell a 16.66 per cent stake to Mr Murdoch, Li Ka-shing and Robert Kwok.

Golden Harvest had planned to place an aggregate 37.7m new shares at 50 cents each to a company owned by Mr Li, the Hong Kong tycoon, Kerry Holdings, controlled by Mr Kwok, and an affiliate of Mr Murdoch's Twentieth Century Fox Film Corporation.

The placement, agreed on June 15, remained conditional to regulatory approval. Golden Harvest said it would raise some HK$56m ($7.2m).

However Village Roadshow, which already owns 16.07 per cent of Golden Harvest, said the placement had prompted it to consider a possible voluntary conditional offer, which would also depend on it securing more than 50 per cent of the voting rights of the company.

Shares in Golden Harvest, which is responsible for launching the careers of Kung Fu stars Jackie Chan and Bruce Lee in the west, yesterday fell from 52 cents to 49 cents.
**Louise Lucas, Hong Kong**

### INDONESIA

## Low costs lift paper groups

Indah Kiat Pulp & Paper and Tjiwi Kimia, paper companies of the Sinar Mas conglomerate of Indonesia, yesterday reported that first-quarter profits had almost doubled because of low production costs in Indonesia.

Indah Kiat reported net profits of $113.7m, compared with $61.54m in the first quarter of last year. Tjiwi Kimia said profits were $46.7m, up from $23.8m.

Indah Kiat's operating income nearly trebled to $148.7m from $49.95m, due in part to a sharp rise in net sales to $281.8m from $193.1m while cost of goods decreased because much of the production is in Indonesia, where the rupiah was heavily devalued. The company made a foreign exchange loss of $49.42m and saw interest expenses almost double but it paid off short-term liabilities by taking out long-term loans.

Sales at Tjiwi Kimia fell to $110.8m from $155.4m but the cost of goods sold dropped to $80.28m from $110.61m.
**Sander Thoenes, Jakarta**

### PHILIPPINES

## PAL disposals to reduce debt

Philippine Airlines plans to dispose of 40 of its 54 aircraft in a downsizing operation amid hints that it was preparing to seek Securities and Exchange Commission permission to reschedule its US$1.96bn debt.

Avelino Zapanto, PAL senior vice-president for sales and marketing, said only 14 aircraft would be left to service four international routes and 14 domestic operations. The excess 40 aircraft will be either sold, leased out or returned to leasing companies.

Mr Zapanto said the airline had set a September deadline to see whether its downsized fleet and staff would allow it to operate at an optimum level. PAL last week fired 5,000 staff including 620 pilots who triggered a strike which the airline said drove it to near bankruptcy. It said it was in danger of defaulting on its loan payments. **Abby Tan, Manila**

## Bank of America ends link

Bank of America sold its 39 per cent share in BA Savings Bank, ending a 30-year partnership with House of Investments (HI), the local majority holder owned by Alfonso Yuchengco, the Filipino-Chinese tycoon.

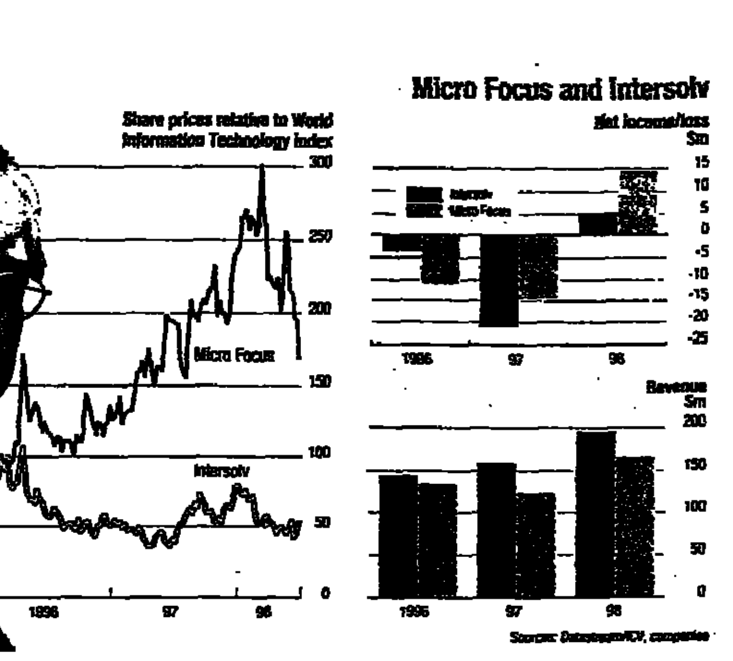
The sale gives HI almost 100 per cent control of BA Savings Bank. **Abby Tan**

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com*

# Micro Focus turns key to one-stop software and services

**Arkady Ostrovsky** analyses the reasons why the Anglo-American computer group decided to pay $534m for Intersolv

Gary Greenfield president and chief executive Intersolv (left) Martin Waters president and chief executive Micro Focus (right)




Micro Focus, the Anglo-American software group that was a "wonder stock" of the early 90s, equipped itself for the new millennium yesterday with the agreed purchase of Intersolv, a US software and services company.

The all-share deal, valued at $534m, creates one of the largest concerns exclusively focusing on developing software tools to make computers do what large companies need them to. Behind the deal lies the desire of IT departments in large corporations to have a single supplier providing both tools and services for their computer applications.

To assemble a computer package the manufacturers need special tools – computer equivalents of spanners and screwdrivers. They also need a technology that tells them how to put a package together and make sure it works. Micro Focus offers development tools for creating software applications, while Intersolv provides services for putting a final package together and testing it.

The two companies have similar customers and complementary products. "Micro Focus and Intersolv have been partners for the past 10 years," said Martin Waters, chief executive of Micro Focus, who will head the combined company. "What drove this [deal] was being responsive to our customers. Neither company could offer a total solution before."

IT applications are often written in various languages and run on a variety of computers, but Mr Waters said the alliance between the two companies could eliminate language barriers between computer systems.

The growth of Micro Focus, founded in 1976, has been recently spurred by the millennium "time-bomb" and the need to equip computers to handle transactions in Euros when the single European currency is launched. But while these are providing strong demand for Micro Focus, investors worried about the company's long-term prospects.

"In the past investors had reservations about Micro Focus," said one analyst. "The main concerns were based on the fact that the company was too reliant on Cobol as the main computer language for the main-frame environment; its growth was confined to the Y2K problem; and the level of services was not sufficient."

By broadening the range of products and services, the deal gives Micro Focus a growth market beyond 2000.

Intersolv, which operates in different computer languages, will take Micro Focus into a service area from which it has been absent. Service and maintenance will now provide 45 per cent of the combined group's revenues, which on a pro-forma basis would have totalled an estimated $380m for the past year. Two thirds of this will come from North America.

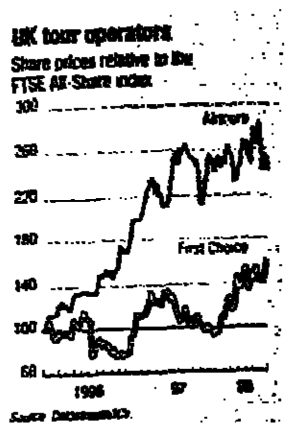
Intersolv did not come cheap. Micro Focus paid almost three times its sales for the company, which will contribute 52 per cent to the combined revenues. But investors and analysts believe it is worth it. "The deal makes Micro Focus a partner for large IT companies rather than just a provider of one service," said one.

Investors signalled their approval by taking advantage of the lower ratings accorded to IT stocks in the US, compared with the UK, and rushed to buy Intersolv shares as a cheap way into Micro Focus. Shares in Intersolv, each one of which can be exchanged for 2.75 Micro Focus shares, rose from $14½ to $16¾. Micro Focus shares fell 67½p to 452½p.

Mr Waters said the deal would lift earnings per share and increase revenues in the first full year. It will also leave Micro Focus with $127m in cash, which Mr Waters said the company would use for bolt-on acquisitions in similar technologies.

## COMMENT

## UK tour operators




Stability is finally in sight for the UK package holiday industry. First Choice's takeover of industry minnows, Unijet and Hayes & Jarvis, for £134m and Thomas Cook's purchase of Flying Colours for perhaps less than half that has pushed up the big four players' market share from 65 per cent to nearer 80 per cent. Since three of the four are public companies, with incentives to maximise profitability rather than market share, a return to the overcapacity-induced price wars of 1995 seems a distant prospect. A 10 per cent rise in First Choice's shares – partly on the back of decent interim results – puts them on 14 times forecast 1999 earnings, a substantial discount to Airtours, the nimblest among the big four, and Thomson. But then First Choice, unlike rivals, does not have its own travel agent on the high streets. As an independent operator, the discrimination it faces from the tied agents may increase in less favourable market conditions. Overdependence on the UK market – buoyed for now by the strong pound and residual windfall spending – is another check on the shares' progress. Still, yesterday's push into the fast-growing long-haul market will enhance First Choice's attractions to a continental European player such as Preussag wishing to expand in Europe's second biggest market. A bid premium is in order.

### Jones Lang Wootton/LaSalle

A transatlantic merger of property advisers Jones Lang Wootton and LaSalle Partners would have perfect logic. The former is strong everywhere but the US, where the latter is market leader. Multinational clients would have their one-stop property shop; the combined firm could cash in on the globalisation of property investment. JLW would gain access to capital for expansion; its partners and directors would join the great equity windfall bandwagon.

But pricing such a deal will be difficult. JLW's revenues last year were nearly twice LaSalle's $225m, but the transaction would probably need to be structured as a merger of equals. LaSalle's highly priced paper – based on rapid growth and high profit margins – gives it a market value of about $650m. JLW partners will have to be satisfied that the shares can retain their value, while LaSalle will be wary of earnings dilution. This deal will need a close structural survey.

# Tetley float pulled on price concerns

By John Willman

Tetley, the world's second largest maker of tea bags, announced the scrapping of its planned flotation on Monday because of dissatisfaction among the management team over the price City advisers said the shares would fetch.

Analysts had forecast the flotation would value the group, bought out of Allied Domecq less than three years ago for £180m, at more than £400m ($656m). The managers, led by Leon Allen, a veteran buy-out specialist, believed the share price recommended by City advisers undervalued its growth prospects.

Monday's announcement – four days after the planned date for publishing the listing particulars – now means the group is likely to remain independent for some time. There are no buyers waiting in the wings, though a trade sale remains a possibility.

Several groups were suggested by analysts as likely buyers after Monday's announcement. They included Nestlé, dominant in the soluble coffee business; Unilever, the world's biggest tea bag maker; Sara Lee, the US food and drink group which owns the Douwe Egbert ground coffee business, and UK food companies such as Unigate, Associated British Foods and Hillsdown.

The venture capital groups which backed the buy-out – PPM and Schroder Ventures – each own one-third of the shares – are thought to be willing to continue backing the management team. "Tetley represents one of our most successful investments and we have every confidence in its future prospects," said PPM.

Advisers to the flotation denied it had been scuppered by the fragile state of global stock markets which has cast a pall over other initial public offerings.

They also said trading was fine and that there had been no nasty surprises uncovered in preparing the float.

The group has performed strongly since the buy-out, raising operating profits from £10.7m in the year to February 1996 to £41.1m last year. But this was largely because of a turnround in its US business, and overall sales were down from £370m in 1995 to £336m last year.

Tetley's management believes the growth potential lies in eastern Europe, in countries such as Poland where it is number two and where most people have yet to convert to tea bags.

The group has also entered the market in Russia's largest cities and plans to launch in Ukraine – countries with a high consumption of black tea.

But investors were unwilling to take such prospects into account in pricing the issue – leading Mr Allen to pull the float.

Joint sponsors and brokers to the flotation were Cazenove and SBC Warburg Dillon Reed.

# Albert Fisher parts with chairman

By Maggie Urry

Stephen Walls is to stand down as chairman of Albert Fisher, the produce, food processing and seafoods group, to "pursue other interests".

Mr Walls, who stepped down to a non-executive role in February, will leave the company at the end of its financial year on August 31.

An adviser to the company said Mr Walls had wanted to leave for some time and would not receive any compensation.

Mr Walls became executive chairman in 1992 when the group's profits had collapsed after rapid expansion.

However, shareholders were disappointed that the recovery Mr Walls was expected to mastermind had not been as swift or vigorous as they had hoped.

Last summer a sequence of setbacks began which undermined Mr Walls' credibility with investors. A takeover approach came to nothing, a decision to sell the seafoods division had to be reversed and a profits warning followed in February.

The shares, which reached 46½p over the bid talks last June, closed up 1p yesterday at 25¾p.

Shareholders had also lost patience with Mr Walls' salary. In the 1996-97 financial year he received £359,000 ($589,000), down from £406,000 the previous year. When he became non-executive chairman his basic salary dropped to £110,000 a year. One shareholder said yesterday: "It is good news that he is going, at least the wage bill will be reduced."

# Mirror Group approached over Scottish Media

By Cathy Newman

Mirror Group, the UK newspaper publisher, is considering whether to sell its 20 per cent stake in Scottish Media Group, following approaches from other media companies.

If Mirror went ahead with a sale of its stake – worth £105m ($172m) on last night's closing share price – it could attract a trade buyer interested in gaining control of Scottish Media, which is one of the four largest ITV companies.

Following the recent bid interest in Mirror from Axel Springer, the German media group, several media companies have looked at a possible purchase of its Scottish Media shareholding.

Analysts believe United News & Media, owner of three ITV franchises, would be interested in buying a stake, and could eventually mount a takeover bid. Another potential purchaser of Mirror's interest is Granada Group.

Terry Connor, Mirror Group's development director, said Mirror's share of Scottish was "kept under constant review". He added: "The Springer situation flushed out people who were interested in buying it."

Scottish owns two ITV companies, Scottish Television and Grampian Television, and newspaper titles such as the Herald and the Evening Times. Mirror's shareholding was bought in 1994 for about £60m. If it were sold to a trade buyer, it could fetch up to £120m, analysts say.

One Mirror executive said: "The Scottish investment has been a good one, but one might argue strategically there's a question-mark over where it goes."

However, Mirror insisted that it might still decide to hold on to its investment in Scottish, which it first acquired as a means of diversifying.

There has also been speculation about the 20 per cent stake in Scottish owned by Flextech, the pay-television company.

A Scottish Media executive said last night: "There's been a question-mark for some time about Mirror's shareholding. If they were to sell it wouldn't come as a surprise."

Mirror could use the profit to reduce its debt of about £500m. That would give it the opportunity to make further acquisitions, possibly in the regional newspaper industry.

# Lonrho hit by Hondo charge

By Andrew Edgecliffe-Johnson

Lonrho's last interim results before becoming a pure mining company were marred by confirmation of a £69m ($113m) provision against its investment in Hondo, a Colombian gas field.

The provision, which covers Lonrho's entire investment in Hondo, pushed the former conglomerate from a £22m pre-tax profit previously to a £28m loss for the half year to March. But Nick Morrell, chief executive, said mining profits were up 21 per cent to £35m.

The group "heaved a huge sigh of relief" at last week's agreement to sell Princess Hotels to Canadian Pacific for £332m, he said. The disposal will leave Lonrho with platinum, coal and gold mining assets, two remaining hotels, a building company and an insurer.

Platinum profits jumped from £7m to £21m owing to buoyant demand and better yields. Coal profits dropped as lower sale prices coincided with a temporary squeeze on export capacity. The contribution from Ashanti Goldfields dropped from £9m to £8m.

Sir John Craven, chairman, said Lonrho wanted to increase its 68 per cent stake in Duiker Mining, the South African coal group, and its 73 per cent interest in Lonrho Platinum, where Gencor of South Africa holds the remaining stake.

Analysts estimated that the platinum stake could cost up to £130m, and said any unbundling of Gencor may allow Lonrho to buy back the stake.

The group was now in a position to examine acquisitions, Sir John said.

Lonrho took the Hondo provision after its Opon 14 well failed to find significant amounts of gas, and other producing wells began depleting more quickly than expected.

# Acquisitions for First Choice and Thos Cook

By Scheherazade Daneshkhu

The pace of consolidation in the UK package holiday industry increased rapidly yesterday after First Choice and Thomas Cook, the third and fourth largest operators, both bought smaller holiday companies to bolster their market shares.

First Choice made a recommended offer for Unijet, the fifth largest operator, in a shares and cash offer valuing the privately-owned company at £110m ($180m). It also acquired Hayes & Jarvis, a specialist long-haul operator, for £24m cash.

The acquisitions are being financed through a 10-for-38 rights issue at 130p a share to raise £90m net. Unijet shareholders can elect to receive up to £34m in new First Choice shares with the balance in cash.

Thomas Cook, the high street travel agent owned by Westdeutsche Landesbank, meanwhile bought Flying Colours, the tour operator and charter airline, for an undisclosed sum, believed to be about £50m.

Flying Colours, which was set up by NatWest Ventures in 1995 for £40m, operates Club 18-30 youth holidays and the low-price Sunset brand.

First Choice said its acquisitions would add £5m to annual operating profits, mainly through cost savings achieved by integrating Unijet's airline with its own.

Analysts upgraded their pre-tax profit forecasts for First Choice by more than 10 per cent to £65m for the year to October 1999.

The consolidation buoyed the sector with First Choice shares closing 15p higher at 167½p and Thomson Travel Group, the largest tour operator, up 9½p to 173½p. However, Airtours, the second largest operator, which is believed to have failed to clinch the deal to buy Unijet, fell 11½p to 452½p.

Ian Clubb, chairman of First Choice, said the industry had congealed into four lumps, of which three were publicly-quoted, following the flotation of Thomson Travel Group by Thomson Corporation, its Canadian parent, last month.

The four controlled 80 per cent of the market as a result of yesterday's acquisitions, up from 65 per cent. Analysts said First Choice's market share would rise from 11 per cent to 18 per cent while that of Thomas Cook would increase from 11 per cent to 16 per cent.

"Consolidation is happening in this industry and there could be more to come," said Bruce Jones, leisure analyst at Merrill Lynch.

First Choice said the two acquisitions made it the largest operator in the fast-growing long-haul market, in which it has lagged behind competitors.



# Wolseley merging US arms

By Jonathan Guthrie

Wolseley, the biggest plumbers' merchant in the world, is merging two US subsidiaries in a bid to cut costs and prepare for consolidation. The move has been prompted by a flood of cheap imports from economically-stricken Asian countries which has hit prices for some building products and materials in the US.

Simon Webster, finance director, said: "We are dealing with 0 per cent price inflation for plumbing and heating products, 12 per cent price deflation in lumber and a 3-4 per cent rise in wages."

Mr Webster said Ferguson Enterprises of Newport News, Virginia, would swallow Familian of Los Angeles, partly in response to City disappointment with the static interim profits of £124m announced in March.

The merger of the businesses, which generate about 30 per cent of group sales, would make it easier to participate in a consolidation of the fragmented US plumbing products market.

# Gerrard gains in switch from Liffe

By Jonathan Guthrie

Gerrard Group, the financial services business, said yesterday it had increased profits from futures and options broking by cutting its activities on the London International Financial Futures and Options Exchange. It has been dealing increasingly on Frankfurt's Deutsche Terminborse, Liffe's main rival in the battle for European futures and options business.

In May Liffe was overtaken for the first time by the DTB in the monthly volume of contracts traded.

Mark Davies, chief executive of Gerrard, said: "Liffe is suffering strong competition from the DTB where you can execute trades more cheaply on screen than through Liffe's open-outcry trading system." He commended plans by Liffe to introduce electronic trading alongside open outcry, but said they were "a little late in the day".

GNI, the futures and options broking divisions of Gerrard, raised profits to £12.4m ($20.3m) in the year to March 31, against £9.5m before exceptionals last time.

GNI was just one of three divisions that contributed to a doubling in Gerrard's pre-tax profits to £35.5m. This was £3m ahead of best expectations and prompted a 31½p rise in the shares to 459p.

Group profits of £17.7m in 1996-97 included exceptional costs of £7m on the purchase of King & Shaxson Holdings, the discount house and private client stockbroker bought for £48m in shares, and a one-off profit of £2.6m on the sale of an investment in ICV, the data company.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Caledonia Invests | Yr to Mar 31 | 68.3 | (57.9) | 41.1♠ | (75.7♥) | 31.1 | (68.3) | 14 | Aug 5 | 12.8 | 20.5 | 19§ |
| Capital for Co VCT. | 11 mths to Mar 31☆ | - | (-) | 0.389 | (0.215) | 3.6 | (3.8) | 1.8 | July 31 | 3.3 | 3 | 3.9 |
| Celebrated | Yr to Mar 29 | 7.73 | (7.46) | 2.96L♠ | (0.28) | 6.91L† | (0.48) | - | - | 0.29 | - | 0.45 |
| First Choice | 6 mths to Apr 30 | 386.2 | (373.7) | 17.8L | (22.8L♠) | 5.8L | (10L⚵) | 1 | Nov 5 | 0.9 | - | 2.8 |
| Gerrard | Yr to Mar 31 | 170.3# | (115.4#) | 35.5 | (17.8♠) | 32.9 | (20.1) | 9 | July 27 | 8 | 17 | 16 |
| Golden Rose | 6 mths to Mar 31 | 1.62 | (1.39) | 0.67L | (0.495L) | 4.7L | (3.5L) | - | - | - | - | - |
| IWP Intl ♣ | Yr to Mar 31 | 262.4 | (207.6) | 25.6 | (22.4) | 25.86 | (22.68) | 3.45 | Sept 19 | 3.14 | 5.87 | 5.34 |
| Limit | Yr to Mar 31 | - | (-) | 189.3 | (115.6) | 44.6 | (32.1) | 5 | Aug 17 | 4.25 | 13‡ | 12‡ |
| Lonrho | 6 mths to Mar 31★ | 705 | (1,011) | 28L♠ | (22♠) | 20.1L† | (1) | 7.2 | Apr 6 | - | - | - |
| Lowe (Robert H) | 6 mths to Apr 30 | 23.2 | (17.9) | 1.83 | (1.66) | 1.11† | (1.22) | 0.156 | Nov 1 | 0.125 | - | 0.405 |
| Phonelink | Yr to Mar 31 | 3.21 | (4.32) | 3.75L | (8.17L) | 7.8L | (12.9L) | - | - | - | - | - |
| Radstone Tech | Yr to Mar 31 | 23.8 | (19.6) | 0.141 | (1.83L) | 0.96 | (12.27L) | nil | - | nil | nil | nil |
| Scapa | Yr to Mar 31 | 534 | (527) | 33 | (66.5) | 8.5 | (19) | 5.59⚴ | Aug 14 | 5.28 | 7.64 | 7.2 |
| Tex Holdings | Yr to Mar 31 | 26 | (26.9) | 1.87 | (1.56♠) | 20.1 | (14.4) | 4 | Aug 21 | 3 | 8 | 5 |
| WT Foods | Yr to Mar 31 | 37.7 | (25.5) | 3.65♥ | (1.77♠) | 3.13 | (1.6) | 1 | Aug 1 | 1 | 1.5 | 1.5 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Finsbury | Yr to Mar 31 | 310.4 | (257.1) | 1.23 | (0.881) | 5.1 | (3.7) | 2.3 | Aug 7 | 2.2 | 4 | 3.9 |
| Henderson Strata | 6 mths to Apr 30 | 606.4 | (471.5) | 0.145L | (0.004L) | 0.83L | (0.02L) | - | - | - | - | 0.5 |
| Martin Currie Eur | Yr to Apr 30 | 243.4 | (178.4) | 0.217 | (0.229) | 0.92 | (0.98) | 0.88 | Aug 28 | 0.8 | 0.88 | 0.8 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §Excludes 30p supplementary. ☆Comparatives for 13 mths to Apr 30 1997. #Operating income. ♣Irish currency. ‡Includes 6p special. ★Comparatives restated. ⚴Foreign income dividend. ⚵Restated.

# EURO PRICES

## EQUITIES

# Nervous Europe gives up gains

### EUROPEAN OVERVIEW

By Simon Davies

European stock markets remained nervous yesterday, giving away some of Tuesday's significant gains, despite the sharp recovery in Far Eastern financial markets that followed the intervention by the US and Japan.

The FTSE Eurotop 300 index fell 9.11 points or 0.74 per cent, to close at 1,222.68. The more narrowly-based Eurotop 100 index edged 20.16 points lower to 2,807.17. Meanwhile, the Ebloc 100 index, which includes only companies from countries in the first wave of monetary union, closed 12.70 lower at 1,018.12.

General industrials were hardest hit, as a result of fears of the impact of the economic slowdown in Asia. Auto stocks also suffered, with Volkswagen falling E21.7 to 867.98 and BMW down 6.6 to 922.58. Utilities, by comparison, benefited from more defensive portfolio shifts, finishing almost unchanged.

Germany's IFO business climate index was released during the day, showing no change from April.

This was in line with market expectations, and helped provide some support for the European government bond markets, which closed higher.

They also benefited from a recovery in US Treasuries, in the face of another shift into safe haven investments.

A report from BT Alex Brown gave some evidence of slowing momentum in the European stock markets. It showed that volumes in 12 European markets fell by 19.5 per cent in May, and in Italy, the decline was more than 40 per cent, albeit from an exceptionally high base.

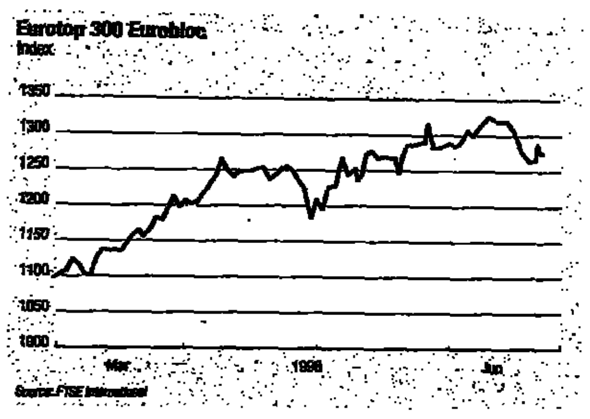
However, markets continued to be propped up by inflows into mutual funds. In Italy, there was a further L1200bn net inflow into share funds in the month of May.

Moreover, volumes on Seaq international fell by significantly less than domestic activity, suggesting relative international support for the markets.

The report argued that "looking further ahead, the increasing share of international volumes in May is consistent with a further upwards leg in the European bull market. Encouragingly, there was a net inflow into domestic mutual share funds after the outflow in April".

Eurotop 300 Eurobloc

Index




Source: FTSE International

### THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.745 | 95.760 | -0.005 | 95.760 | 95.740 | 1107 | 15243 |
| Dec | 95.955 | 95.980 | -0.005 | 95.970 | 95.945 | 288 | 7345 |
| Mar | 95.870 | 95.900 | -0.005 | 95.870 | 95.870 | 4 | 4822 |
| Jun | 95.755 | 95.790 | +0.005 | 95.755 | 95.755 | 4 | 1882 |

### THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

| Strike Price | CALLS Jul | Aug | Sep | Dec | PUTS Jul | Aug | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 95875 | 0.005 | 0.015 | 0.030 | | 0.120 | 0.130 | 0.145 | |
| 96000 | 0 | 0 | 0.010 | 0.115 | 0.240 | 0.240 | 0.250 | 0.135 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

### FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open. int. |
|---|---|---|---|---|---|---|---|
| Jun | 2835.0 | 2808.5 | -16.5 | 2836.0 | 2813.0 | 81 | 1021 |
| Sep | 2859.0 | 2836.0 | -17.0 | 2859.0 | 2840.0 | 142 | 667 |
| Dec | - | 2859.0 | - | - | - | 0 | 73 |

### EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

| | 2725 C | 2725 P | 2750 C | 2750 P | 2775 C | 2775 P | 2800 C | 2800 P | 2825 C | 2825 P | 2850 C | 2850 P | 2875 C | 2875 P | 2900 C | 2900 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jun | 87 | 2 | 73 | 2 | 60 | 5 | 28 | 8 | 13 | 19 | 5 | 38 | 2 | 60 | 2 | 85 |
| Jul | 147 | 44 | 128 | 51 | 113 | 59 | 97 | 68 | 81 | 78 | 68 | 90 | 57 | 109 | 47 | 118 |

Est vol total:340. Prev day's open interest total: 4,314. Premiums shown are based on settlement prices.

## OTHER INDICES

| | Jun 18 | Jun 17 | Jun 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DJ Stoxx 50 | 3293.52 | 3328.35 | 3252.86 | 3420.88 | 2574.51 | 3420.88 | 2976.42 |
| DJ Euro Stx 50 | 3291.14 | 3330.55 | 3289.06 | 3443.78 | 2466.81 | 3443.78 | 2865.52 |
| MSCI Europe | 1209.11* | 1220.07 | 1197.18 | 1258.83 | 980.50 | 1258.83 | 510.78 |

Source: Extel/part of FT information. *Subject to revision next day. (u) unavailable.

## FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

| June 18 National & Regional Markets | Ecu Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop300 | 1222.68 | -0.74 | -9.11 | 2.13 | 16.89 | 1249.61 |
| FTSE Eurotop100 | 2807.17 | -0.71 | -20.16 | 2.15 | 21.04 | 999.03 |
| *FTSE Ebloc 100* | *1018.12* | *-1.28* | *-12.70* | *1.77* | *8.38* | *1027.49* |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1274.58 | -1.20 | -15.43 | 1.83 | 14.80 | 1294.62 |
| UK | 1144.98 | +0.24 | +2.75 | 2.89 | 21.07 | 1185.78 |
| Europe Ex-Eurobloc | 1181.71 | -0.28 | -3.32 | 2.44 | 17.91 | 1212.36 |
| Europe Ex-UK | 1257.67 | -1.23 | -15.82 | 1.75 | 14.52 | 1285.67 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 977.21 | -1.02 | -10.10 | 2.94 | 16.03 | 1006.75 |
| Extractive Industries | 818.86 | +0.35 | +2.87 | 3.24 | 0.00 | 818.86 |
| Oil, Integrated | 941.27 | -1.12 | -10.70 | 2.94 | 9.11 | 949.98 |
| Oil, Exploration & Prod | 967.29 | +1.01 | +9.66 | 2.57 | 0.00 | 967.29 |
| GENERAL INDUSTRIES | 1201.88 | -1.22 | -14.84 | 2.13 | 14.82 | 1220.07 |
| Construction | 969.18 | -1.09 | -10.07 | 3.06 | 0.00 | 969.18 |
| Building Matls & Merchs | 1075.81 | -0.82 | -8.95 | 2.48 | 7.65 | 1083.31 |
| Chemicals | 1046.80 | +0.03 | +0.30 | 2.15 | 15.96 | 1063.25 |
| Diversified Industrials | 1022.44 | -0.34 | -3.49 | 2.16 | 8.62 | 1031.03 |
| Electronic & Elect Equip | 985.53 | -1.93 | -19.38 | 1.84 | 0.59 | 986.09 |
| Engineering | 1007.44 | -1.72 | -17.67 | 3.38 | 4.17 | 1011.47 |
| Paper, Pckg & Printing | 947.57 | -0.88 | -8.42 | 2.45 | 0.00 | 947.57 |
| CONSUMER GOODS | 1164.68 | -0.57 | -6.64 | 1.70 | 13.02 | 1190.69 |
| Automobiles | 1112.01 | -1.76 | -19.94 | 1.02 | 6.88 | 1119.12 |
| Alcoholic Beverages | 992.75 | +0.19 | +1.87 | 2.25 | 5.82 | 998.71 |
| Food Producers | 1048.49 | -1.29 | -13.70 | 1.61 | 7.80 | 1056.40 |
| Household Goods & Texts | 1051.07 | -0.61 | -6.46 | 1.77 | 4.75 | 1055.66 |
| Healthcare | 1012.58 | -4.09 | -43.23 | 5.49 | 9.52 | 1022.88 |
| Pharmaceuticals | 988.69 | -0.47 | -4.69 | 1.37 | 2.07 | 990.77 |
| Tobacco | 999.05 | +1.70 | +16.70 | 4.96 | 1.81 | 1000.93 |
| SERVICES | 1216.93 | -0.23 | -2.77 | 2.05 | 14.01 | 1241.46 |
| Distribution | 1022.41 | -0.88 | -7.01 | 1.08 | 7.96 | 1030.37 |
| Leisure & Hotels | 995.09 | -1.56 | -15.76 | 2.55 | 5.49 | 1000.46 |
| Media | 1055.71 | -0.37 | -3.91 | 2.17 | 1.59 | 1057.33 |
| Retailers, Food | 1018.55 | +0.29 | +2.91 | 2.09 | 9.18 | 1028.06 |
| Retailers, General | 1062.80 | -0.38 | -4.10 | 2.20 | 8.78 | 1071.58 |
| Telecommunications | 1045.45 | -0.48 | -5.02 | 2.02 | 5.31 | 1050.92 |
| Breweries, Pubs & Rests | 998.87 | +0.43 | +4.28 | 3.06 | 8.89 | 1007.91 |
| Support Services | 1015.67 | +1.07 | +10.72 | 1.26 | 5.66 | 1021.46 |
| Transport | 1051.31 | -0.22 | -2.27 | 2.53 | 7.82 | 1059.25 |
| Information Technology | 1282.25 | +0.85 | +10.87 | 0.32 | 2.23 | 1285.16 |
| UTILITIES | 1317.02 | -0.01 | -0.18 | 3.39 | 46.87 | 1381.74 |
| Electricity | 990.41 | -0.07 | -0.71 | 3.57 | 22.09 | 1012.73 |
| Gas Distribution | 1021.89 | +0.38 | +3.92 | 1.84 | 83.72 | 1114.86 |
| Water | 1040.65 | -0.37 | -3.82 | 4.97 | 23.03 | 1064.37 |
| FINANCIALS | 1331.80 | -0.85 | -11.43 | 2.05 | 19.92 | 1359.65 |
| Banks,Retail | 970.56 | -0.82 | -8.07 | 2.31 | 7.97 | 978.38 |
| Insurance | 963.68 | -0.94 | -9.16 | 1.40 | 5.90 | 969.45 |
| Life Insurance | 1011.29 | -0.91 | -9.22 | 2.09 | 3.19 | 1014.64 |
| Other Financial | 970.09 | -1.42 | -13.96 | 2.08 | 13.23 | 982.89 |
| Investment Companies | 1105.07 | +0.98 | +10.70 | 2.03 | 20.66 | 1125.73 |
| Property | 870.73 | -1.02 | -8.94 | 3.17 | 16.01 | 886.73 |



## CURRENCIES & MONEY

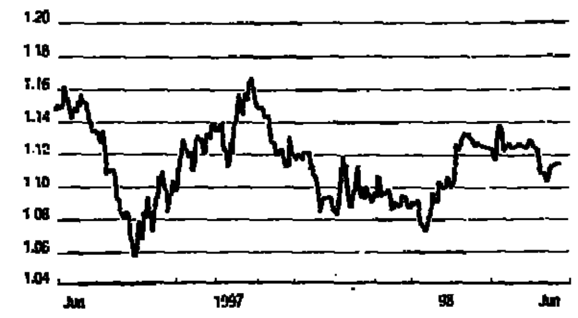
### FT SYNTHETIC EURO RATES

| Jun 18 | Currency code | Closing mid point | Change on day | Change on day% | Change on week | Change week % |
|---|---|---|---|---|---|---|
| **Europe** | | | | | | |
| Austria | ATS | 14.070527 | -0.0027 | -0.02 | -0.0006 | +0.00 |
| Belgium | BEF | 41.261329 | +0.0012 | +0.00 | +0.0070 | +0.02 |
| Czech Republic | CZK | 37.243573 | -0.0816 | -0.22 | -0.5181 | -1.37 |
| Denmark | DKK | 7.615637 | -0.0038 | -0.05 | -0.0001 | +0.00 |
| Finland | FIM | 6.075795 | -0.0019 | -0.03 | -0.0032 | -0.05 |
| France | FRF | 6.704044 | -0.0026 | -0.04 | -0.0005 | -0.01 |
| Germany | DEM | 1.999828 | -0.0003 | -0.02 | +0.0001 | +0.00 |
| Greece | GRD | 339.207676 | -0.3379 | -0.10 | -0.4829 | -0.14 |
| Hungary | HUF | 240.657567 | -1.8806 | -0.78 | +0.5835 | +0.24 |
| Ireland | IEP | 0.793831 | +0.0001 | +0.02 | +0.0010 | +0.12 |
| Italy | ITL | 1969.605573 | +1.9588 | +0.10 | -0.3903 | -0.02 |
| Luxembourg | LUF | 41.261329 | +0.0012 | +0.00 | +0.0070 | +0.02 |
| Netherlands | NLG | 2.253899 | -0.0010 | -0.05 | -0.0001 | -0.01 |
| Norway | NOK | 8.458522 | -0.0177 | -0.21 | +0.0098 | +0.12 |
| Poland | PLN | 3.865364 | -0.0010 | -0.03 | +0.0284 | +0.74 |
| Portugal | PTE | 204.787138 | -0.0107 | -0.01 | +0.0007 | +0.00 |
| Romania | ROL | 9533.232864 | +10.1571 | +0.11 | +50.4323 | +0.53 |
| Russia | RUB | 6.941132 | +0.0065 | +0.09 | +0.0571 | +0.83 |
| Slovakia | SKK | 39.207759 | +0.1355 | +0.35 | +0.5660 | +1.46 |
| Spain | ESP | 169.665289 | -0.0125 | -0.01 | +0.0722 | +0.04 |
| Sweden | SEK | 8.848997 | -0.0481 | -0.54 | -0.0160 | -0.18 |
| Switzerland | CHF | 1.669670 | +0.0025 | +0.15 | +0.0169 | +1.02 |
| United Kingdom | GBP | 0.667486 | -0.0061 | -0.91 | -0.0125 | -1.83 |
| ECU | ECU | 1.010584 | -0.0016 | -0.15 | -0.0022 | -0.22 |
| **Americas** | | | | | | |
| Brazil | BRL | 1.280799 | +0.0003 | +0.02 | +0.0121 | +0.95 |
| Canada | CAD | 1.640062 | +0.0032 | +0.19 | +0.0142 | +0.87 |
| Mexico | MXN | 9.923165 | -0.0106 | -0.11 | +0.0075 | -0.08 |
| United States | USD | 1.117285 | -0.0001 | -0.01 | +0.0088 | +0.80 |
| **Pacific/Middle East/Africa** | | | | | | |
| Australia | AUD | 1.837822 | -0.0023 | -0.13 | -0.0439 | -2.33 |
| Hong Kong | HKD | 8.652254 | +0.0037 | +0.04 | +0.0623 | +0.73 |
| Japan | JPY | 153.467004 | -0.9159 | -0.59 | -4.5671 | -2.89 |
| Singapore | SGD | 1.864748 | -0.0036 | -0.19 | -0.0662 | -3.43 |
| South Africa | ZAR | 6.047304 | +0.0815 | +1.37 | +0.2191 | +3.76 |

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0156, ATS 0.0328, FIM 0.0187

Synthetic Euro against the dollar

$ per euro




Source: FTSE International

### EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

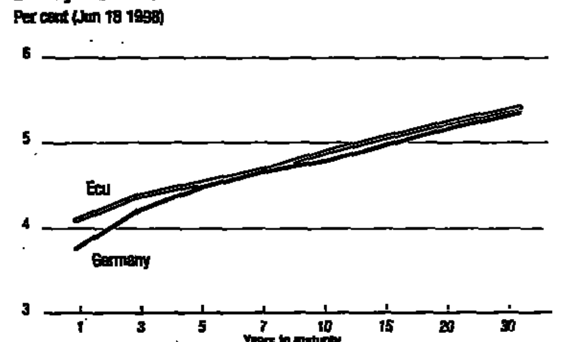
| Jun 18 | Fixed rate | Market rate | Diff fxd v mkt% | Week ago % | Forward rate | Forward Int rate | Diff int rate v DEM |
|---|---|---|---|---|---|---|---|
| Austria | 7.03552 | 7.0359 | +0.01 | +0.01 | 7.0379 | 3.75 | +0.05 |
| Belgium | 20.6255 | 20.6324 | +0.03 | +0.02 | 20.6393 | 3.76 | +0.06 |
| France | 3.35386 | 3.3523 | -0.05 | -0.03 | 3.3522 | 3.69 | -0.01 |
| Finland | 3.04001 | 3.0382 | -0.06 | -0.01 | 3.04 | 3.81 | +0.11 |
| Ireland | 0.402676 | 0.3969 | -1.43 | -1.54 | 0.4017 | 5.98 | +2.28 |
| Italy | 990.002 | 984.8874 | -0.52 | -0.49 | 990.3325 | 4.74 | +1.04 |
| Luxembourg | 20.6255 | 20.6324 | +0.03 | +0.02 | 20.6393 | 3.76 | +0.06 |
| Netherlands | 1.12674 | 1.127 | +0.02 | +0.04 | 1.1268 | 3.67 | -0.03 |
| Portugal | 102.505 | 102.4024 | -0.10 | -0.10 | 102.6446 | 4.15 | +0.45 |
| Spain | 85.0722 | 84.8399 | -0.27 | -0.31 | 85.0967 | 4.27 | +0.57 |
| Germany | 1 | | +0.00 | +0.00 | | 3.7 | +0.00 |

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

## BONDS

Bond yield curve

Per cent (Jun 18 1998)




Source: Interactive Data/FT Information

### EUROZONE CORPORATE BONDS

| Jun 18 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Ecu |
|---|---|---|---|---|---|---|---|---|
| **Sovereign Fungible Issues** | | | | | | | | |
| Belgium (Kingdom of) | 03/08 | 5.750 | N/A | 105.800 | 4.98 | -0.01 | -0.14 | +0.07 |
| France (Rep of) | 04/08 | 5.250 | N/A | 103.030 | 4.85 | -0.03 | -0.19 | -0.06 |
| Italy (Rep of) | 05/08 | 5.000 | AA | 100.090 | 4.99 | -0.02 | -0.16 | +0.08 |
| Portugal (Rep of) | 06/08 | 5.375 | AA- | 103.050 | 4.98 | -0.02 | -0.16 | +0.07 |
| **Euro Issues** | | | | | | | | |
| Abbey Natl Treas Srv | 02/03 | 4.875 | AA | 100.760 | 4.08 | -0.04 | -0.16 | +0.14 |
| Gen Electric Cap Crp | 10/04 | 5.500 | AAA | 103.880 | 4.77 | -0.01 | -0.20 | +0.11 |
| Oest Kontrollbank | 04/08 | 5.250 | AAA | 101.860 | 5.00 | -0.03 | -0.17 | +0.09 |
| Cred Local de France | 04/08 | 5.250 | AA+ | 100.640 | 5.16 | -0.02 | -0.18 | +0.25 |
| **Ecu Issues** | | | | | | | | |
| Bayer Hypo & Wch Bk | 07/01 | 5.000 | A+ | 101.270 | 4.54 | -0.01 | -0.11 | +0.15 |
| Cred Foncier France | 03/04 | 8.375 | A | 115.210 | 5.23 | -0.03 | -0.16 | +0.57 |
| Euro Inv Bank | 04/04 | 5.250 | AAA | 103.320 | 4.58 | +0.02 | -0.17 | -0.08 |
| ABN Amro Hldg. NV | 04/07 | 6.375 | AA- | 107.770 | 5.25 | -0.03 | -0.16 | +0.41 |

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

### GOVERNMENT BOND SPREADS vs ECU

| Jun 18 | 2 yrs | 5 yrs | 7 yrs | 10 yrs | 20 yrs | 30 yrs |
|---|---|---|---|---|---|---|
| **"Ins"** | | | | | | |
| Austria | -0.04 | +0.01 | +0.09 | +0.01 | -0.05 | +0.03 |
| Belgium | -0.07 | +0.06 | +0.11 | +0.08 | +0.03 | +0.10 |
| Finland | -0.12 | +0.08 | +0.10 | +0.05 | -0.31 | -0.46 |
| France | -0.14 | -0.05 | -0.06 | -0.04 | -0.07 | -0.04 |
| Germany | -0.18 | -0.05 | -0.02 | -0.11 | -0.07 | -0.06 |
| Ireland | +0.81 | +0.13 | +0.14 | +0.16 | +0.12 | +0.28 |
| Italy | +0.28 | +0.26 | +0.23 | +0.18 | +0.13 | +0.20 |
| Luxembourg | -0.07 | +0.06 | +0.11 | +0.08 | +0.03 | +0.10 |
| Netherlands | -0.12 | -0.01 | -0.02 | -0.08 | -0.06 | -0.04 |
| Portugal | +0.13 | +0.17 | +0.18 | +0.14 | +0.26 | +0.39 |
| Spain | +0.02 | +0.12 | +0.15 | +0.13 | +0.18 | +0.33 |
| **"Outs"** | | | | | | |
| Denmark | +0.13 | +0.19 | +0.19 | +0.12 | +0.03 | +0.18 |
| Greece | +5.84 | +4.42 | +3.51 | +2.77 | +2.41 | +2.26 |
| Sweden | +0.14 | +0.17 | +0.18 | +0.12 | +0.12 | -0.03 |
| UK | +2.85 | +1.82 | +1.46 | +0.92 | +0.41 | +0.07 |

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

### EUROZONE CREDIT SPREADS vs ECU

| Jun 18 | S & P rating | Red date | Coupn | Currency code | Spread | Spread wk ago | Spread mth ago |
|---|---|---|---|---|---|---|---|
| KFW | AAA | 01/05 | 5.000 | DEM | -0.02 | -0.01 | -0.01 |
| France Telcom | AA+ | 11/06 | 6.250 | FRF | +0.13 | +0.13 | +0.15 |
| Halifax | AA | 07/07 | 5.625 | DEM | +0.20 | +0.18 | +0.19 |
| Ing Bank NV | AA- | 01/08 | 5.500 | NLG | +0.19 | +0.22 | +0.17 |
| Bayer Hypo W Bk | A+ | 02/02 | 6.750 | ITL | +0.33 | +0.32 | +0.25 |
| Cred Foncier | A | 02/03 | 7.250 | DEM | +0.38 | +0.43 | +0.35 |
| Thomson-Brandt Int | A- | 03/04 | 6.375 | FRF | +0.32 | +0.32 | +0.31 |
| Generale des Eaux | BBB+ | 03/04 | 6.250 | FRF | +0.28 | +0.28 | +0.28 |
| Bank of China | BBB | 07/99 | 7.125 | DEM | +0.73 | +0.59 | +0.77 |
| Natl Bk of Hungary | BBB- | 06/01 | 9.000 | ATS | +0.61 | +0.68 | +0.64 |
| Korea Dev Bank | B+ | 11/02 | 5.625 | FRF | +5.00 | +4.52 | +4.40 |

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

## FTSE EUROTOP 300

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| Stock | Price (Ecu) | Chge +/- | Mkt cap Ecu(bn) | Vol ('m) |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Notes: Price data and market capitalisations supplied by FTSE International. [illegible]

# Prices higher on prospects for yen

GOVERNMENT BONDS

By Jeremy Grant in London and Tracy Corrigan in New York

Bond markets remained transfixed by the dollar's prospects against the yen yesterday, ending moderately higher as markets wait to see how Japan will follow up on central bank intervention to shore up the yen.

US Treasuries gained on signs that the Asian economic crisis was partly to blame for an increase in the US trade deficit to its widest level since early 1992.

In the UK, gilts were again diverted by domestic news, ending lower on stronger than forecast retail sales data, which stoked fears that another interest rate rise may be around the corner. Comments on domestic demand by Bank of England governor Eddie George adding to that sentiment.

However bond analysts said that global bond markets were unlikely to build on recent bullish performance until the yen situation clarifies.

*US TREASURIES* showed modest gains in morning trading in New York after news of a widening in the US trade gap. The current account deficit climbed 4.8 per cent to a record $47.2bn in the first quarter, as Asian countries bought fewer American goods while boosting their exports into the US.

The news was seen as positive for bonds, since it might be a sign that US economic growth is slowing, reducing the need for a rate rise.

In late morning trading, three-year notes were up $\frac{1}{16}$ to 100$\frac{1}{16}$, yielding 5.5 per cent, while 10-year Treasuries were $\frac{7}{32}$ higher at 100$\frac{12}{32}$, yielding 5.5 per cent. The benchmark 30-year long bond was up $\frac{8}{32}$ at 105$\frac{12}{32}$.

UK GILTS ended slightly lower in moderate volume with the September 10-year futures contract settling down 0.03 points at 108.68 in volume of 86,000 trades.

They recouped earlier losses made after stronger than expected retail sales figures for May fuelled talk of another interest rate rise. Sales rose 1.7 per cent month-on-month against an expected 0.7 per cent.

Mr George yesterday laid the blame for British inflation on domestic demand growing faster then the forecast trend.

The data weighed on short-dated gilts, with the two-year bond yield hitting 7 per cent, a level last seen in early December 1997.

They also hit short-dated sterling futures contracts, which analysts say are likely to remain ultra-sensitive to rate speculation this week. They are currently pricing in a rate rise by August or September.

"It has to be said that short sterling is looking pretty sad. It's actually difficult to see it getting much worse," said Kevin Adams, at Barclays Capital.

In the cash market, however, the gilt spread over bunds was fairly stable at 113 basis points, widening two basis points from Wednesday's close.

GERMAN BUNDS in the cash and futures markets ended higher, ignoring May's Ifo business climate index, which was unchanged on the month. The September 10-year bund future settled 0.14 points higher at 108.12 in volume of 344,000 contracts traded.

● Deutsche Terminbörse, the German options and futures exchange, has changed its name to Eurex Deutschland. The move follows the merger of the DTB with the Soffex Swiss derivatives exchanges to form Eurex, which will be fully concluded this autumn.

## Athens backs interest tax-exempt bonds

The Greek parliament has backed the issue of interest tax-exempt government bonds in a move that was seen as an attempt to lure investors into the long end of the country's government bond market, writes Jeremy Grant.

The finance ministry said it would waive the 10 per cent tax on interest income earned from government paper with a maturity of more than two years for investors holding the paper from issue to maturity.

The decision was aimed at retail investors and mutual funds, it said.

# Matif to undercut Liffe on gilt futures

By Simon Davies, Capital Markets Editor

Matif, the French derivatives exchange, yesterday added to the European attack on the London International Financial Futures Exchange, announcing that it will significantly undercut Liffe's fees on two new UK government bond futures contracts.

Matif is due to launch the contracts on July 15 on its new NSC system, whereas Liffe is committed to continuing open-outcry trading of the 10-year gilt contract until mid-1999.

Matif will charge FFr1.70 (17p) per contract, compared with the 28p trading and clearing fees charged by Liffe, which have already been reduced from 45p in April, due to competitive pressures from Europe.

Matif said it was responding "to the wish of market participants, particularly in the UK, to benefit from the advantages of electronic trading through the NSC".

Liffe recently considered switching its government bond contracts to its automated pit trading (APT) system.

The Italian BTP, German bund and five-year gilt futures contracts will all go electronic on August 3, but Liffe claimed overwhelming support for keeping the 10-year contract, one of its most liquid, on open-outcry. It has, however, reserved the option to switch trading to its ATP system if users changed their minds.

Liffe said: "The Matif move is not unexpected. It is understandable that they are looking for new contracts. But the gilts market is in London, and Liffe has a well-established and liquid contract."

NEWS DIGEST

CREDIT RATINGS

## Australia put on 'alert negative' by Fitch IBCA

Fitch IBCA, the rating agency, yesterday placed Australia's sovereign credit rating on "alert negative" because of the adverse impact of the Asian financial crisis on the country's external debt position. Gross and net external debt, at 232 per cent and 157 per cent of foreign exchange receipts respectively, was much higher than other similarly rated sovereigns, such as Canada, the agency said.

This, coupled with falling commodity prices and the fact that more than 60 per cent of exports go to Asia, exposed Australia to adverse shifts in investor sentiment and the threat of contagion. "The most important thing that's changed is the external economic environment, which exposes Australia's weakness on the external debt side," Fitch said.

The move also covered the State of Queensland, the Commonwealth Bank of Australia (guaranteed notes) and National Australia Bank, which are also rated at the sovereign ceiling. In addition, the agency said external liquidity indicators offered little cause for comfort given that more than 40 per cent of Australia's foreign currency debt has a maturity of less than one year, with a similar proportion denominated in Australian dollars.

That exposed it to "roll-over risk" and exchange rate-induced sales of local currency-denominated liabilities. Debt service liabilities exceeded liquid foreign assets by a substantial margin, raising concerns about liquidity, Fitch said.

High external debt had translated into a widening deficit on investment income, which accounted for the whole of 1997's current account deficit. Falling commodity prices and declining export volumes could push the current account deficit out further, the agency said, to 6 per cent of gross domestic product or more in 1998-99. **Jeremy Grant**

HEALTHCARE

## Summit issues bond under PFI

Summit Healthcare (Law), a private company with a concession to build and operate a hospital in Lanarkshire, yesterday launched a £136m bond in what is the second capital markets financing in healthcare under the government's Private Finance Initiative. The last such deal was done in October, when Health Management (Carlisle) issued a bond to finance the construction of a hospital in Carlisle.

Morgan Stanley structured the latest deal, under which a special purpose vehicle has been set up to finance Summit Healthcare to build and operate a hospital outside Glasgow for 27 years. The 30-year bond carries a coupon of 6.48 per cent, payable semi-annually, and has a re-offer price of par. The amortisation schedule starts in 2001 and the issue is secured on the assets of the hospital.

The bonds are guaranteed by MBIA Ambac, a joint venture insurance company. "There is an increasing willingness by investors and issuers to go to the capital markets rather than fund these things through commercial banking," said Eden Rich, syndicate manager at Morgan Stanley. **Jeremy Grant**

# Euro debut for Spanish bank

INTERNATIONAL BONDS

By Vincent Boland

Russia's jumbo issue grabbed the limelight yesterday, but primary issuance continued to be busy.

IBERCAJA FINANCE, a special-purpose vehicle for Caja de Ahorros y Monte, the eighth biggest savings institution in Spain, made its debut with a E300m five-year floating-rate note that tapped continuing demand for FRNs as defensive investments in volatile markets.

ABN Amro, joint lead manager with Salomon Smith Barney, said Ibercaja was "a very strong credit story within its peer group". The bank, based in the Zaragoza, Aragon and Rioja regions, was the third Spanish bank this week to tap the markets, following Banco Pastor and Santander. "All three deals were well received," the banker said.

ZURICH FINANCE, a special purpose vehicle for the Swiss insurance company, made its debut in the fixed-rate market and marked the beginning of its EMTN programme. Both the SFr300m issue, through Credit Suisse First Boston and SBC Warburg Dillon Read, and the $300m issue through Warburg as sole lead were well received, bankers said.

Most attention was focused on the Russian bond, which came a week after Moscow increased the foreign borrowing requirement from $3.5bn to $6bn.

"There has been some positive news out of Russia in the past few days and this sends a strong signal to the investment community," a banker at J. P. Morgan said.

Other syndicate bankers were debating the pricing of the bond at 753 basis points over US Treasuries. It had tightened by 2 basis points by the close of trading.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| ■ US DOLLARS | | | | | | | |
| Russian Federation(g) | 2.5bn | 12.75# | 98.437R | Jun 2028 | 1.00R | +753(May08) | Deutsche/JP Morgan |
| FUCCMT, 98-3, Cls A(a)★‡ | 800 | (a1) | 100.00R | Jun 2001 | 0.225R | - | CSFB |
| FUCCMT, 98-3, Cls B(a)★‡ | 72.3 | (a2) | 100.00R | Jun 2001 | 0.275R | - | CSFB |
| Zurich Finance Inc | 300 | 6.00 | 100.055R | Jul 2003 | 0.275R | +35(5½May03) | SBC Warburg Dillon Read |
| ■ STERLING | | | | | | | |
| Summit Finance(b,s) | 136.556 | 6.484# | 100.00R | Mar 2028 | 0.625R | +80(8%-2015) | Morgan Stanley DW |
| ■ SWISS FRANCS | | | | | | | |
| Zurich Finance Inc | 300 | 3.50 | 102.50 | Jul 2008 | 2.75 | - | CSFB/SBCWDR |
| ■ ITALIAN LIRE | | | | | | | |
| JP Morgan & Co‡ | 500bn | (c) | 100.00R | Jul 2008 | 0.45R | - | JP Morgan/MPS |
| ■ PESETAS | | | | | | | |
| Hipocat 1 FTH, Class A(d)‡ | 23.175bn | (d1) | 100.00 | Dec 2018 | 0.25 | - | JP Morgan Securities |
| ■ EUROS(e) | | | | | | | |
| Ibercaja Finance‡ | 300 | (f) | 99.96R | Jul 2003 | 0.175R | - | ABN Amro/Salomon SB |

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) First USA Credit Card Master Trust. a1) 1-mth Libor +6bp. a2) 1-mth Libor +22bp. b) Secured on hospital assets. Guaranteed by Ambac Insurance UK. c) 87% of averaged France/Italy/Germany constant maturity 10-yr yield. d) Fondo Titulizacion Hipotecaria. Secured on Spanish residential mortgages originated by Caixa Catalunya. Av life: 4.7 yrs. d1) 3-mth Libor +18bp. d2) Class B: Pta825m, 7.4 yrs, 3ML +50bp, par. e) Payments in Ecu prior to Emu. f) 3-mth Libor +6¼bp. g) Puttable on 24/6/08 at par. s) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Jun 18 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 04/00 | 7.000 | 102.9239 | 5.28 | -0.13 | -0.26 | +0.29 | -0.17 |
| | 10/07 | 10.000 | 131.4881 | 5.57 | +0.03 | -0.04 | -0.03 | -1.52 |
| Austria | 09/99 | 7.000 | 103.6000 | 4.03 | -0.01 | -0.03 | -0.14 | +0.20 |
| | 07/07 | 5.625 | 105.4000 | 4.87 | -0.02 | -0.02 | -0.18 | -0.90 |
| Belgium | 01/00 | 4.000 | 99.8500 | 4.09 | -0.01 | -0.02 | -0.09 | +0.58 |
| | 03/07 | 6.250 | 109.1500 | 4.94 | -0.01 | +0.05 | -0.13 | -0.86 |
| Canada | 09/99 | 4.750 | 99.5300 | 5.15 | -0.01 | -0.10 | -0.03 | +0.89 |
| | 06/07 | 7.250 | 113.5000 | 5.31 | - | +0.02 | -0.07 | -0.85 |
| Denmark | 12/99 | 8.000 | 102.3200 | 4.31 | -0.02 | -0.03 | -0.38 | +0.14 |
| | 11/07 | 7.000 | 114.5400 | 5.02 | -0.01 | +0.04 | -0.25 | -1.33 |
| Finland | 01/99 | 11.000 | 103.8967 | 3.73 | -0.02 | -0.01 | -0.15 | -0.04 |
| | 04/06 | 7.250 | 115.2850 | 4.85 | -0.02 | +0.02 | -0.15 | -1.22 |
| France | 01/00 | 4.000 | 99.9500 | 4.02 | -0.03 | +0.01 | -0.10 | +0.46 |
| | 10/04 | 6.750 | 111.8300 | 4.59 | -0.01 | +0.02 | -0.17 | -0.54 |
| | 10/07 | 5.500 | 105.0100 | 4.82 | -0.02 | +0.03 | -0.20 | -0.77 |
| | 10/25 | 6.000 | 109.1300 | 5.35 | -0.03 | +0.03 | -0.21 | -1.16 |
| Germany | 09/99 | 4.000 | 100.1300 | 3.88 | - | - | -0.08 | +0.43 |
| | 11/04 | 7.500 | 115.5200 | 4.63 | -0.01 | +0.02 | -0.18 | -0.64 |
| | 07/07 | 6.000 | 108.6600 | 4.79 | -0.04 | +0.02 | -0.21 | -0.93 |
| | 07/27 | 6.500 | 116.7900 | 5.35 | -0.02 | +0.03 | -0.20 | -1.17 |
| Ireland | 04/99 | 6.250 | 100.5790 | 5.42 | -0.01 | +0.02 | +0.33 | -0.60 |
| | 08/06 | 8.000 | 119.1000 | 5.08 | -0.01 | +0.04 | -0.12 | -1.46 |
| Italy | 05/00 | 8.000 | 102.7700 | 4.45 | - | - | -0.11 | -1.74 |
| | 05/02 | 6.250 | 105.6700 | 4.64 | - | +0.01 | -0.14 | -1.71 |
| | 07/07 | 6.750 | 112.5100 | 5.01 | -0.02 | +0.02 | -0.16 | -1.96 |
| | 11/26 | 7.250 | 124.6800 | 5.52 | -0.01 | +0.02 | -0.16 | -2.13 |
| Japan | 03/00 | 6.400 | 110.1300 | 0.53 | +0.04 | +0.07 | +0.14 | -0.40 |
| | 12/02 | 4.800 | 116.8900 | 0.95 | +0.05 | +0.06 | +0.08 | -0.87 |
| | 09/05 | 3.000 | 111.3600 | 1.35 | +0.05 | +0.04 | +0.01 | -1.03 |
| | 09/17 | 3.000 | 113.5800 | 2.14 | +0.06 | +0.04 | -0.04 | -0.94 |
| Netherlands | 11/99 | 7.500 | 104.5800 | 4.03 | -0.02 | +0.01 | -0.09 | +0.40 |
| | 02/07 | 5.750 | 106.7300 | 4.78 | -0.02 | +0.02 | -0.18 | -0.81 |
| New Zealand | 02/00 | 6.500 | 98.0411 | 7.78 | -0.31 | -0.18 | +0.28 | +1.01 |
| | 11/06 | 8.000 | 108.1030 | 6.70 | -0.14 | -0.06 | +0.04 | -0.38 |
| Norway | 01/99 | 9.000 | 102.2200 | 5.06 | -0.02 | +0.28 | +0.40 | +1.12 |
| | 01/07 | 6.750 | 108.5800 | 5.46 | -0.01 | +0.11 | -0.01 | -0.49 |
| Portugal | 03/99 | 8.500 | 103.0387 | 4.23 | -0.01 | +0.04 | -0.04 | -1.00 |
| | 02/07 | 6.625 | 111.1100 | 5.01 | -0.01 | +0.04 | -0.13 | -1.34 |
| Spain | 07/99 | 7.400 | 103.3300 | 4.23 | +0.01 | +0.07 | -0.03 | -0.74 |
| | 03/07 | 7.350 | 116.5800 | 4.97 | -0.02 | +0.03 | -0.16 | -1.38 |
| Sweden | 01/99 | 11.000 | 103.7100 | 4.23 | -0.01 | +0.08 | -0.40 | -0.53 |
| | 08/07 | 8.000 | 121.8130 | 4.97 | -0.01 | +0.09 | -0.23 | -1.83 |
| Switzerland | 03/00 | 5.000 | 105.0500 | 1.97 | - | +0.07 | +0.09 | +0.47 |
| | 06/07 | 4.500 | 111.2000 | 3.05 | - | +0.13 | +0.01 | -0.33 |
| UK | 08/99 | 6.000 | 98.6328 | 7.26 | +0.04 | +0.38 | +0.53 | +0.41 |
| | 11/04 | 6.750 | 102.9768 | 6.18 | - | +0.35 | +0.14 | -0.90 |
| | 12/07 | 7.250 | 108.9297 | 5.87 | -0.01 | +0.25 | -0.07 | -1.28 |
| | 06/21 | 8.000 | 130.5313 | 5.62 | -0.01 | +0.15 | -0.26 | -1.58 |
| US | 10/99 | 5.625 | 100.0470 | 5.58 | +0.01 | +0.08 | - | -0.42 |
| | 11/04 | 7.875 | 112.1580 | 5.58 | -0.03 | +0.09 | -0.12 | -0.69 |
| | 08/07 | 6.125 | 103.5860 | 5.62 | -0.04 | +0.08 | -0.12 | -0.77 |
| | 08/27 | 6.375 | 108.4810 | 5.77 | -0.03 | +0.07 | -0.21 | -0.92 |
| ECU | 01/00 | 4.000 | 99.7700 | 4.14 | -0.01 | -0.08 | -0.11 | -0.02 |
| | 04/07 | 5.500 | 104.5800 | 4.85 | -0.01 | +0.04 | -0.18 | -1.19 |

London closing. *New York closing. Source: Interactive Data/FT Information. Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

### 10 YEAR BENCHMARK SPREADS

| Jun 18 | Bid Yield | Spread vs Bunds | Spread vs T-Bonds |
|---|---|---|---|
| Australia | 5.57 | +0.77 | +0.07 |
| Austria | 4.92 | +0.12 | -0.58 |
| Belgium | 4.99 | +0.19 | -0.51 |
| Canada | 5.31 | +0.51 | -0.19 |
| Denmark | 5.03 | +0.23 | -0.47 |
| Finland | 4.96 | +0.16 | -0.54 |
| France | 4.87 | +0.07 | -0.63 |
| Germany | 4.80 | - | -0.70 |
| Ireland | 5.07 | +0.27 | -0.43 |
| Italy | 5.09 | +0.29 | -0.41 |
| Japan | 1.35 | -3.45 | -4.15 |
| Netherlands | 4.85 | +0.05 | -0.65 |
| New Zealand | 6.70 | +1.90 | +1.20 |
| Norway | 5.48 | +0.68 | -0.02 |
| Portugal | 5.05 | +0.25 | -0.45 |
| Spain | 5.04 | +0.24 | -0.46 |
| Sweden | 5.03 | +0.23 | -0.47 |
| Switzerland | 3.05 | -1.75 | -2.45 |
| UK | 5.83 | +1.03 | +0.33 |
| US | 5.50 | +0.70 | - |
| ECU | 4.91 | +0.11 | -0.59 |

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

### EMERGING MARKET BONDS

| Jun 18 | Red date | Coupon | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| ■ EUROPE | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 97.7793 | 7.70 | +0.11 | -0.05 | +2.17 |
| Poland | 07/04 | 7.125 | BBB- | 102.4228 | 6.63 | -0.07 | -0.15 | +1.10 |
| Russia | 06/07 | 10.000 | B+ | 86.8500 | 12.47 | +0.08 | +0.94 | +6.96 |
| ■ LATIN AMERICA | | | | | | | | |
| Argentina | 09/27 | 9.750 | BB | 93.2500 | 10.49 | - | -0.04 | +4.80 |
| Brazil | 05/27 | 10.125 | BB- | 90.1000 | 11.29 | -0.04 | +0.27 | +5.60 |
| Mexico | 05/26 | 11.500 | BB | 115.1000 | 9.84 | +0.06 | +0.11 | +4.16 |
| ■ ASIA | | | | | | | | |
| China | 07/06 | 7.750 | BBB+ | 104.7310 | 6.96 | +0.11 | -0.41 | +1.44 |
| Philippines | 10/16 | 8.750 | BB+ | 91.6748 | 9.73 | +0.11 | -0.01 | +4.15 |
| Thailand | 04/07 | 7.750 | BBB- | 90.9400 | 9.29 | +0.44 | +0.31 | +3.78 |
| ■ AFRICA/MIDDLE EAST | | | | | | | | |
| Lebanon | 07/00 | 8.125 | BB- | 101.6678 | 6.21 | +0.11 | -0.17 | +2.69 |
| South Africa | 10/06 | 8.375 | BB+ | 103.8617 | 7.75 | +0.11 | -0.35 | +2.23 |
| Turkey | 09/07 | 10.000 | B | 100.9162 | 9.83 | +0.06 | -0.08 | +4.32 |
| ■ BRADY BONDS | | | | | | | | |
| Argentina | 03/23 | 5.750 | BB | 74.8750 | 8.41 | +0.02 | -0.07 | +2.78 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 104.06 | 104.28 | +0.13 | 104.30 | 103.89 | 114,197 | 120,520 |
| Dec | - | 103.98 | +0.13 | - | - | 0 | 0 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Puts Jul | Puts Aug | Puts Sep |
|---|---|---|---|---|---|---|
| 102 | 2.16 | 2.22 | 2.30 | 0.01 | 0.08 | 0.17 |
| 103 | 1.19 | 1.36 | 1.49 | 0.04 | 0.22 | 0.35 |
| 104 | 0.35 | 0.67 | 0.83 | 0.20 | 0.52 | 0.68 |
| 105 | 0.05 | 0.25 | 0.40 | 0.90 | 1.10 | 1.24 |

Est. vol. total, Calls 18,054 Puts 13,195. Previous day's open int. Calls 54,050 Puts 47,029

**Germany**

■ NOTIONAL GERMAN BOND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 107.95 | 108.12 | +0.14 | 108.19 | 107.81 | 20641 | 70349 |
| Dec | - | 107.57 | +0.14 | - | - | 0 | 94 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Calls Dec | Puts Jul | Puts Aug | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 10800 | 0.24 | 0.56 | 0.74 | 0.88 | 0.12 | 0.44 | 0.62 | 1.31 |
| 10850 | 0.06 | 0.32 | 0.50 | 0.67 | 0.44 | 0.70 | 0.88 | 1.60 |
| 10900 | 0.01 | 0.17 | 0.31 | 0.51 | 0.89 | 1.05 | 1.19 | 1.94 |

Est. vol. total, Calls 19506 Puts 13293. Previous day's open int., Calls 205008 Puts 151504

■ NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 105.35 | 105.43 | +0.08 | 105.44 | 105.23 | 110,796 | 235,166 |
| Dec | 104.88 | 104.94 | +0.09 | 104.88 | 104.88 | 1,006 | 2,170 |

**Italy**

**Spain**

**UK**

**US**

**Japan**

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | - | 103.40 | +0.06 | - | - | 0 | 18 |

### US CORPORATE BONDS

### US INTEREST RATES

### INTERNATIONAL BONDS

| Jun 18 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| EB | 02/07 | 5.750 | AAA | 106.1600 | 4.86 | -0.02 | -0.16 | +0.06 |
| Spain | 01/07 | 5.750 | AA | 106.0000 | 4.87 | -0.05 | -0.23 | +0.07 |
| Philip Morris | 03/04 | 5.375 | A | 102.4069 | 4.85 | -0.02 | -0.31 | +0.26 |

### UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

FT Fixed Interest Indices

### UK GILTS PRICES

Other Fixed Interest

## CURRENCIES & MONEY

# Yen holds on while sterling soars

**MARKETS REPORT**

By Daniel Dombey

The yen kept hold of most of its new-found gains yesterday, as dust settled from the US Federal Reserve and Bank of Japan intervention which had boosted the currency.

With little sign that the markets had been disturbed by any further intervention, the currency ended trading hours in Europe at Y137.4 to the dollar. That left the yen weaker than its highest level during the preceding 24 hours, but much stronger than the depths of Y146.75 plumbed earlier in the week.

Asian markets let loose a huge sigh of relief at the yen's greater strength. But analysts warned that without substantial economic news in the near future, the currency could once again go beyond Y140 to the dollar.

Midway through trading in New York yesterday, the currency had once again slipped over Y138 to the dollar.

"The intervention broke the back of the rise in dollar/yen, helped China and pulled other emerging markets from the abyss," said Mark Chandler, currency analyst at Deutsche Bank in New York.

"The Fed has to be very pleased with what they've done. But this is a temporary thing and we'll need some real news from Japan soon."

■ Behind Wednesday's intervention lay the understanding that the Japan would redouble its efforts to re-activate its stricken economy and restructure its enfeebled banking sector.

So far, however, Ryutaro Hashimoto, the Japanese prime, has not convinced the markets with his talk of reform. The principal concern is that Mr Hashimoto's room to manoeuvre is severely constrained in the run-up to upper house elections on July 12.

"The statements that the Japanese authorities have made so far are really a reiteration of what we have heard before," said Tim Fox at Standard Chartered in London. "For the time being people are holding their breath and want to see the colour of the money."

Most eyes are trained on the visit to Tokyo of Lawrence Summers, US deputy treasury secretary. Today Mr Summers will see Japanese officials ahead of a emergency weekend meeting of finance officials from the G7 group of industrialised countries and from throughout the Pacific region. The Japanese economy and the yen will dominate the agenda.

Left behind as the market turned its eyes to Tokyo was the US trade data for April, which showed the largest deficit since April 1992. The $14.46bn deficit caused only the slightest downward blip in the dollar. Japan's seasonally adjusted trade figures for May, which showed a record surplus of Y1,580bn and underlined the country's weak domestic demand, drew more attention.

■ The pound continued its breakneck rise yesterday. Sterling jumped to around DM3.00, as the markets became more convinced that a rise in UK interest rates was likely later this year.

A 4.6 per cent rise in May retail sales compared with the same month last year was well above market expectations and helped push the pound to DM2.996 by the end of London trading, up two and a half pfennigs on the day. Midway through New York trading, sterling edged past DM3.00.

"Without some news showing the economy slowing done, this rise will continue," said Philip Shaw at Investec in London. "Although in the long-term, these gains are unsustainable, right now the name of the game is yield." Mr Shaw estimates sterling's fair value at about DM2.60.

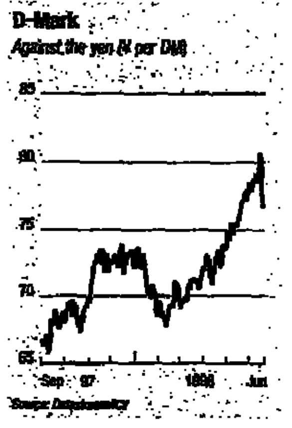
■ One of the most significant voices praising the moves to back the yen was Dai Xianglong, China's central bank governor.

Fears that China would have devalued if the yen continued plunging sparked off nightmares of a fresh wave of Asian crises, and are thought to have played a large part in the reasoning behind the intervention.

But the yen's recovery yesterday put the region's markets in a better mood than they have been in for some time. The Australian dollar, the Indonesian rupiah, and the Taiwan dollar all strengthened.

D-Mark

Against the yen (Y per DM)




Source: Datastream/ICV

### ■ POUND IN NEW YORK

| Jun 18 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.6665 | 1.6680 |
| 1 mth | 1.6640 | 1.6654 |
| 3 mth | 1.6582 | 1.6597 |
| 1 yr | 1.6336 | 1.6357 |

### ■ OTHER CURRENCIES

| Jun 18 | £ | $ |
|---|---|---|
| Czech Rp | 55.7493 - 55.8496 | 33.3130 - 33.3550 |
| Hungary | 360.388 - 360.733 | 215.350 - 215.440 |
| Iran | 5023.26 - 5020.50 | 3000.00 - 3000.00 |
| Kuwait | 0.5119 - 0.5127 | 0.3059 - 0.3062 |
| Peru | 4.8665 - 4.8742 | 2.9080 - 2.9110 |
| Poland | 5.7870 - 5.7984 | 3.4580 - 3.4630 |
| Russia | 10.3941 - 10.4047 | 6.2110 - 6.2140 |
| U.A.E. | 6.1463 - 6.1502 | 3.6727 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jun 18 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 21.0808 | +0.1858 | 709 - 907 | 21.0929 | 20.8825 | 21.0123 | 3.9 | 20.8704 | 4.0 | 20.3013 | 3.7 | 103.1 |
| Belgium | (BFr) | 61.8180 | +0.5586 | 689 - 691 | 61.8691 | 61.2180 | 61.6241 | 3.8 | 61.2182 | 3.9 | 59.5246 | 3.7 | 102.3 |
| Denmark | (DKr) | 11.4100 | +0.0971 | 052 - 147 | 11.4230 | 11.3033 | 11.3774 | 3.4 | 11.3071 | 3.6 | 11.0115 | 3.5 | 104.9 |
| Finland | (FM) | 9.1030 | +0.0792 | 983 - 096 | 9.1100 | 9.0200 | 9.0735 | 3.9 | 9.0142 | 3.9 | 8.7685 | 3.7 | 80.9 |
| France | (FFr) | 10.0441 | +0.0865 | 410 - 472 | 10.0502 | 9.9517 | 10.0111 | 3.9 | 9.942 | 4.1 | 9.6673 | 3.8 | 105.7 |
| Germany | (DM) | 2.9962 | +0.0265 | 949 - 975 | 2.9991 | 2.9670 | 2.9863 | 3.9 | 2.9657 | 4.1 | 2.8841 | 3.7 | 103.9 |
| Greece | (Dr) | 508.211 | +4.075 | 656 - 766 | 509.654 | 503.879 | 510.485 | -5.4 | 514.366 | -4.8 | 525.422 | -3.4 | 60.9 |
| Ireland | (I£) | 1.1893 | +0.0109 | 881 - 905 | 1.1905 | 1.1789 | 1.1882 | 1.2 | 1.1855 | 1.3 | 1.159 | 2.5 | 94.0 |
| Italy | (L) | 2950.92 | +29.5 | 971 - 213 | 2953.77 | 2923.78 | 2945.51 | 2.2 | 2932.14 | 2.5 | 2856.59 | 3.2 | 75.9 |
| Luxembourg | (LFr) | 61.8180 | +0.5586 | 689 - 691 | 61.8691 | 61.2180 | 61.6241 | 3.8 | 61.2102 | 3.9 | 59.5246 | 3.7 | 102.3 |
| Netherlands | (Fl) | 3.3768 | +0.0288 | 753 - 783 | 3.3798 | 3.3449 | 3.3655 | 4.0 | 3.3421 | 4.1 | 3.2485 | 3.8 | 101.7 |
| Norway | (NKr) | 12.6743 | +0.0879 | 676 - 809 | 12.6886 | 12.5398 | 12.6443 | 2.8 | 12.5849 | 2.8 | 12.3551 | 2.5 | 95.5 |
| Portugal | (Es) | 306.818 | +2.747 | 652 - 985 | 307.028 | 303.962 | 306.018 | 3.1 | 304.228 | 3.4 | 296.014 | 3.5 | 91.7 |
| Spain | (Pta) | 254.198 | +2.271 | 071 - 325 | 254.325 | 251.700 | 253.544 | 3.1 | 252.148 | 3.2 | 245.418 | 3.5 | 76.8 |
| Sweden | (SKr) | 13.2548 | +0.048 | 468 - 628 | 13.2628 | 13.0853 | 13.2193 | 3.2 | 13.144 | 3.3 | 12.8208 | 3.3 | 84.9 |
| Switzerland | (SFr) | 2.5016 | +0.0263 | 000 - 031 | 2.5024 | 2.4771 | 2.49 | 5.5 | 2.4658 | 5.7 | 2.385 | 5.5 | 105.4 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 106.7 |
| Ecu | - | 1.5141 | +0.0113 | 132 - 150 | 1.5161 | 1.5011 | 1.5098 | 3.3 | 1.5012 | 3.4 | 1.4617 | 3.5 | - |
| SDR† | - | 1.243500 | - | - | - | - | - | - | - | - | - | - | - |
| Americas | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6737 | +0.0149 | 732 - 742 | 1.6773 | 1.6627 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.9338 | +0.0178 | 331 - 345 | 1.9376 | 1.9210 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.4571 | +0.0267 | 560 - 582 | 2.4582 | 2.4330 | 2.4516 | 2.7 | 2.4407 | 2.7 | 2.3971 | 2.4 | 80.7 |
| Mexico | (New Peso) | 14.8672 | +0.1182 | 590 - 754 | 14.8782 | 14.7333 | 15.0365 | -13.7 | 15.3852 | -13.9 | 17.0705 | -14.6 | - |
| USA | ($) | 1.6740 | +0.0149 | 735 - 744 | 1.6776 | 1.6629 | 1.6714 | 1.9 | 1.6657 | 2.0 | 1.6412 | 2.0 | 111.5 |
| Pacific/Middle East/Africa | | | | | | | | | | | | | |
| Australia | (A$) | 2.7536 | +0.0214 | 516 - 553 | 2.7614 | 2.7058 | 2.749 | 1.9 | 2.7382 | 2.2 | 2.6909 | 2.3 | 81.3 |
| Hong Kong | (HK$) | 12.9631 | +0.1222 | 587 - 674 | 12.9897 | 12.8775 | 12.9911 | -2.6 | 13.0283 | -2.0 | 13.3328 | -2.9 | - |
| India | (Rs) | 70.8407 | +0.6951 | 050 - 764 | 70.6764 | 69.7890 | - | - | - | - | - | - | - |
| Israel | (Shk) | 6.1471 | +0.059 | 379 - 563 | 6.1563 | 6.1375 | - | - | - | - | - | - | - |
| Japan | (Y) | 229.959 | +0.711 | 855 - 063 | 230.520 | 228.200 | 228.824 | 7.0 | 225.834 | 7.2 | 213.984 | 7.0 | 112.7 |
| Malaysia | (M$) | 6.6209 | +0.1004 | 112 - 306 | 6.7667 | 6.4036 | 6.7026 | -14.8 | 6.8714 | -15.1 | 7.3774 | -11.4 | - |
| New Zealand | (NZ$) | 3.2336 | +0.0279 | 307 - 368 | 3.2368 | 3.1958 | 3.2378 | -1.5 | 3.2443 | -1.3 | 3.2605 | -0.8 | 93.7 |
| Philippines | (Peso) | 67.9825 | +0.1072 | 094 - 155 | 68.3155 | 67.6094 | 68.3649 | -7.1 | 69.1623 | -7.2 | 74.2868 | -9.3 | - |
| Saudi Arabia | (SR) | 6.2786 | +0.0552 | 766 - 805 | 6.2922 | 6.2379 | 6.2725 | 1.2 | 6.2593 | 1.2 | 6.2011 | 1.2 | - |
| Singapore | (S$) | 2.7938 | +0.0198 | 914 - 962 | 2.8883 | 2.7358 | 2.797 | -1.4 | 2.8 | -0.9 | 2.8006 | -0.2 | - |
| South Africa | (R) | 9.0603 | +0.2026 | 536 - 669 | 9.0747 | 8.7744 | 9.1675 | -14.2 | 9.3072 | -10.9 | 9.7443 | -7.5 | - |
| South Korea | (Won) | 2332.65 | -24.03 | 784 - 746 | 2367.78 | 2303.51 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 57.0733 | -0.5207 | 161 - 305 | 57.9087 | 56.6593 | 57.1022 | -0.6 | 57.125 | -0.4 | 57.309 | -0.4 | - |
| Thailand | (Bt) | 69.0505 | +0.6635 | 482 - 527 | 72.0690 | 67.0980 | 70.1138 | -18.5 | 72.4578 | -19.7 | 80.827 | -17.1 | - |

† Rates for Jun 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jun 18 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 12.5836 | -0.0011 | 809 - 860 | 12.6030 | 12.5320 | 12.572 | 2.0 | 12.5296 | 2.0 | 12.3703 | 1.8 | 103.1 |
| Belgium | (BFr) | 36.9300 | +0.005 | 100 - 500 | 37.0200 | 36.7480 | 36.8705 | 1.9 | 36.7475 | 2.0 | 36.27 | 1.8 | 102.6 |
| Denmark | (DKr) | 6.8162 | -0.0027 | 152 - 172 | 6.8228 | 6.7845 | 6.8073 | 1.6 | 6.7882 | 1.6 | 6.7096 | 1.5 | 104.7 |
| Finland | (FM) | 5.4380 | -0.0011 | 355 - 405 | 5.4431 | 5.4156 | 5.4287 | 2.0 | 5.4116 | 1.9 | 5.3435 | 1.7 | 80.7 |
| France | (FFr) | 6.0003 | -0.0017 | 000 - 005 | 6.0034 | 5.9752 | 5.9898 | 2.1 | 5.9687 | 2.1 | 5.8906 | 1.8 | 105.6 |
| Germany | (DM) | 1.7899 | -0.0001 | 896 - 902 | 1.7915 | 1.7812 | 1.7868 | 2.1 | 1.7805 | 2.1 | 1.7574 | 1.8 | 103.9 |
| Greece | (Dr) | 303.600 | -0.27 | 350 - 850 | 305.010 | 302.450 | 305.43 | -7.2 | 308.8 | -6.9 | 320.155 | -5.5 | 60.6 |
| Ireland | (I£) | 1.4075 | -0.0004 | 065 - 085 | 1.4130 | 1.4065 | 1.4066 | 0.7 | 1.4051 | 0.7 | 1.416 | -0.6 | - |
| Italy | (L) | 1762.85 | +1.95 | 260 - 310 | 1764.50 | 1754.77 | 1762.34 | 0.3 | 1760.31 | 0.6 | 1740.6 | 1.3 | 75.9 |
| Luxembourg | (LFr) | 36.9300 | +0.005 | 100 - 500 | 37.0200 | 36.7480 | 36.8705 | 1.9 | 36.7475 | 2.0 | 36.27 | 1.8 | 102.6 |
| Netherlands | (Fl) | 2.0173 | -0.0007 | 169 - 176 | 2.0192 | 2.0077 | 2.0137 | 2.1 | 2.0065 | 2.1 | 1.9801 | 1.8 | 101.8 |
| Norway | (NKr) | 7.5715 | -0.015 | 695 - 734 | 7.5780 | 7.5310 | 7.5653 | 1.0 | 7.5554 | 0.9 | 7.5283 | 0.6 | 96.0 |
| Portugal | (Es) | 183.290 | +0.01 | 240 - 340 | 183.410 | 182.600 | 183.095 | 1.3 | 182.642 | 1.4 | 180.37 | 1.6 | 92.5 |
| Spain | (Pta) | 151.855 | +0.005 | 820 - 890 | 151.890 | 151.200 | 151.698 | 1.2 | 151.377 | 1.3 | 149.54 | 1.5 | 76.8 |
| Sweden | (SKr) | 7.9183 | -0.0422 | 158 - 208 | 7.9362 | 7.8695 | 7.9094 | 1.4 | 7.891 | 1.4 | 7.8121 | 1.3 | 84.6 |
| Switzerland | (SFr) | 1.4944 | +0.0024 | 939 - 949 | 1.4951 | 1.4862 | 1.4898 | 3.7 | 1.4803 | 3.8 | 1.441 | 3.6 | 105.4 |
| UK | (£) | 1.6740 | +0.0149 | 735 - 744 | 1.6776 | 1.6629 | 1.6714 | 1.9 | 1.6657 | 2.0 | 1.6412 | 2.0 | 105.6 |
| Ecu | - | 1.1058 | +0.0016 | 052 - 059 | 1.1095 | 1.1049 | 1.1069 | -1.4 | 1.1096 | -1.4 | 1.1228 | -1.6 | - |
| SDR† | - | 0.75140 | - | - | - | - | - | - | - | - | - | - | - |
| Americas | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | - | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.1553 | +0.0004 | 551 - 554 | 1.1554 | 1.1551 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.4679 | +0.008 | 676 - 681 | 1.4681 | 1.4587 | 1.4669 | 0.8 | 1.4653 | 0.7 | 1.4607 | 0.5 | 81.2 |
| Mexico | (New Peso) | 8.8815 | -0.0085 | 790 - 840 | 8.8880 | 8.8790 | 8.9965 | -15.5 | 9.2365 | -16.0 | 10.4015 | -17.1 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 112.9 |
| Pacific/Middle East/Africa | | | | | | | | | | | | | |
| Australia | (A$) | 1.6449 | -0.0019 | 442 - 455 | 1.6502 | 1.6207 | 1.6441 | 0.6 | 1.6415 | 0.8 | 1.6308 | 0.9 | 81.8 |
| Hong Kong | (HK$) | 7.7440 | +0.0041 | 435 - 445 | 7.7460 | 7.7420 | 7.7727 | -4.5 | 7.8215 | -4.0 | 8.124 | -4.9 | - |
| India | (Rs) | 42.2000 | +0.04 | 900 - 100 | 42.2100 | 41.8800 | - | - | - | - | - | - | - |
| Israel | (Shk) | 3.6722 | +0.0025 | 677 - 767 | 3.6767 | 3.6635 | - | - | - | - | - | - | - |
| Japan | (Y) | 137.375 | -0.805 | 350 - 400 | 137.700 | 135.500 | 136.79 | 5.1 | 135.58 | 5.2 | 130.37 | 5.1 | 112.2 |
| Malaysia | (M$) | 3.9553 | +0.025 | 505 - 600 | 4.0600 | 3.8386 | 4.0103 | -16.7 | 4.1253 | -17.2 | 4.4953 | -13.7 | - |
| New Zealand | (NZ$) | 1.9318 | -0.0006 | 305 - 331 | 1.9361 | 1.9128 | 1.9349 | -1.9 | 1.9403 | -1.8 | 1.9591 | -1.4 | - |
| Philippines | (Peso) | 40.6000 | -0.3 | 000 - 000 | 40.8000 | 40.4000 | 40.9035 | -9.0 | 41.5335 | -9.2 | 45.2525 | -11.5 | - |
| Saudi Arabia | (SR) | 3.7506 | -0.0004 | 506 - 509 | 3.7509 | 3.7506 | 3.7529 | -0.7 | 3.7578 | -0.7 | 3.7785 | -0.7 | - |
| Singapore | (S$) | 1.6690 | -0.003 | 680 - 700 | 1.7315 | 1.6400 | 1.6735 | -3.2 | 1.681 | -2.9 | 1.7065 | -2.2 | - |
| South Africa | (R) | 5.4125 | +0.0735 | 100 - 150 | 5.4184 | 5.2730 | 5.485 | -16.1 | 5.5875 | -12.9 | 5.9375 | -9.7 | - |
| South Korea | (Won) | 1393.50 | -27 | 100 - 600 | 1411.00 | 1381.00 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 34.0950 | -0.82 | 700 - 200 | 34.3950 | 33.9850 | 34.165 | -2.5 | 34.285 | -2.3 | 34.92 | -2.4 | - |
| Thailand | (Bt) | 41.2500 | +0.15 | 000 - 000 | 43.4000 | 40.2000 | 41.95 | -20.4 | 43.5 | -21.8 | 49.25 | -19.4 | - |

† SDR rate per $ for Jun 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 17: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| Jun 18 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.00 | 2.75 | - |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 4.60 | - | 3.30 |
| Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 4.50 | 2.50 | 3.30 |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.75 |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.50 | 5.00 | 5.31 |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 2.75 | 3.30 |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.00 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 5.00 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| ■ $ LIBOR BBA London | | | | | | | | |
| Interbank Fixing | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| US Dollar CDs | - | 5.45 | 5.45 | 5.48 | 5.53 | - | - | - |
| ECU Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| SDR Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jun 18 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| German Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | 4 - [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2 - [illegible] |
| Canadian Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] - 5 | [illegible] | [illegible] |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] - 5 | [illegible] - 6 | 7 - 6 | [illegible] - 6 | [illegible] - 6 | [illegible] - 6 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.260 | 96.265 | - | 96.265 | 96.230 | 10,345 | 65,918 |
| Dec | 96.030 | 96.030 | -0.015 | 96.030 | 96.000 | 4,410 | 58,100 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.265 | 96.265 | - | 96.270 | 96.240 | 63888 | 403063 |
| Dec | 96.000 | 96.020 | +0.005 | 96.030 | 95.970 | 79103 | 452618 |
| Mar | 95.900 | 95.920 | +0.005 | 95.930 | 95.875 | 32317 | 417219 |
| Jun | 95.770 | 95.800 | +0.010 | 95.810 | 95.755 | 25178 | 168080 |

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jul | - | 96.485 | +0.005 | - | - | 0 | n/a |
| Aug | - | 96.430 | +0.005 | - | - | 0 | n/a |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.550 | 95.580 | - | 95.590 | 95.550 | 12536 | 205806 |
| Dec | 95.940 | 95.960 | - | 95.970 | 95.910 | 7146 | 154552 |
| Mar | 95.880 | 95.910 | - | 95.910 | 95.870 | 3738 | 205927 |
| Jun | 95.760 | 95.780 | - | 95.780 | 95.750 | 1154 | 50194 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.030 | 98.060 | +0.010 | 98.080 | 97.960 | 31941 | 84621 |
| Dec | 97.820 | 97.880 | +0.010 | 97.900 | 97.780 | 9432 | 43486 |
| Mar | 97.700 | 97.790 | +0.010 | 97.800 | 97.690 | 2999 | 17356 |
| Jun | 97.640 | 97.690 | +0.010 | 97.690 | 97.630 | 1172 | 15619 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | - | 99.29 | +0.01 | - | - | 0 | n/a |
| Dec | - | 99.28 | +0.03 | - | - | 0 | n/a |
| Mar | - | 99.24 | +0.02 | - | - | 0 | n/a |

* LIFFE futures also traded on APT

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.745 | 95.760 | -0.005 | 95.760 | 95.740 | 1107 | 15243 |
| Dec | 95.955 | 95.980 | -0.005 | 95.970 | 95.945 | 268 | 7345 |
| Mar | 95.870 | 95.900 | -0.005 | 95.870 | 95.870 | 4 | 4822 |
| Jun | 95.755 | 95.790 | +0.005 | 95.755 | 95.755 | 4 | 1862 |

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 95625 | 0.100 | | | 0.145 | | |
| 95750 | 0.060 | 0.270 | 0.260 | 0.230 | 0.060 | 0.100 |
| 95875 | 0.030 | | | 0.325 | | |

Est. vol. total, Calls 1100 Puts 1800. Previous day's open int., Calls 99292 Puts 98342

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jun 18 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.46 | 16.25 | 4.847 | 1.924 | 4773 | 5.463 | 20.50 | 496.3 | 411.2 | 21.44 | 4.047 | 1.618 | 3.975 | 2.708 | 372.0 | 2.449 |
| Denmark | (DKr) | 54.18 | 10 | 8.803 | 2.626 | 1.042 | 2586 | 2.960 | 11.11 | 268.9 | 222.8 | 11.62 | 2.192 | 0.876 | 2.154 | 1.467 | 201.5 | 1.327 |
| France | (FFr) | 61.55 | 11.36 | 10 | 2.983 | 1.184 | 2938 | 3.362 | 12.62 | 305.5 | 253.1 | 13.20 | 2.491 | 0.996 | 2.446 | 1.667 | 228.9 | 1.507 |
| Germany | (DM) | 20.63 | 3.808 | 3.352 | 1 | 0.397 | 984.9 | 1.127 | 4.230 | 102.4 | 84.84 | 4.424 | 0.835 | 0.334 | 0.820 | 0.559 | 76.75 | 0.505 |
| Ireland | (I£) | 51.98 | 9.594 | 8.445 | 2.519 | 1 | 2481 | 2.839 | 10.66 | 258.0 | 213.7 | 11.15 | 2.103 | 0.841 | 2.066 | 1.408 | 193.4 | 1.273 |
| Italy | (L) | 2.095 | 0.387 | 0.340 | 0.102 | 0.040 | 100 | 0.114 | 0.430 | 10.40 | 8.614 | 0.449 | 0.085 | 0.034 | 0.083 | 0.057 | 7.793 | 0.051 |
| Netherlands | (Fl) | 18.31 | 3.379 | 2.974 | 0.887 | 0.352 | 873.9 | 1 | 3.753 | 90.86 | 75.28 | 3.925 | 0.741 | 0.296 | 0.728 | 0.496 | 68.10 | 0.448 |
| Norway | (NKr) | 48.78 | 9.002 | 7.925 | 2.364 | 0.938 | 2328 | 2.664 | 10 | 242.1 | 200.6 | 10.46 | 1.974 | 0.789 | 1.939 | 1.321 | 181.4 | 1.195 |
| Portugal | (Es) | 20.15 | 3.719 | 3.274 | 0.977 | 0.388 | 961.8 | 1.101 | 4.131 | 100 | 82.85 | 4.320 | 0.815 | 0.326 | 0.801 | 0.546 | 74.95 | 0.493 |
| Spain | (Pta) | 24.32 | 4.489 | 3.951 | 1.179 | 0.468 | 1161 | 1.328 | 4.986 | 120.7 | 100 | 5.214 | 0.984 | 0.393 | 0.967 | 0.659 | 90.46 | 0.596 |
| Sweden | (SKr) | 46.64 | 8.608 | 7.578 | 2.260 | 0.897 | 2226 | 2.548 | 9.562 | 231.5 | 191.8 | 10 | 1.887 | 0.754 | 1.854 | 1.263 | 173.5 | 1.142 |
| Switzerland | (SFr) | 24.71 | 4.561 | 4.015 | 1.198 | 0.475 | 1180 | 1.350 | 5.067 | 122.7 | 101.6 | 5.299 | 1 | 0.400 | 0.982 | 0.669 | 91.93 | 0.605 |
| UK | (£) | 61.82 | 11.41 | 10.04 | 2.996 | 1.189 | 2951 | 3.377 | 12.67 | 306.8 | 254.2 | 13.26 | 2.502 | 1 | 2.457 | 1.674 | 230.0 | 1.514 |
| Canada | (C$) | 25.16 | 4.644 | 4.088 | 1.219 | 0.484 | 1201 | 1.374 | 5.158 | 124.9 | 103.5 | 5.394 | 1.018 | 0.407 | 1 | 0.681 | 93.59 | 0.616 |
| USA | ($) | 36.93 | 6.816 | 6.000 | 1.790 | 0.710 | 1763 | 2.017 | 7.572 | 183.3 | 151.9 | 7.918 | 1.494 | 0.597 | 1.468 | 1 | 137.4 | 0.904 |
| Japan | (Y) | 26.88 | 4.962 | 4.368 | 1.303 | 0.517 | 1283 | 1.468 | 5.512 | 133.4 | 110.5 | 5.764 | 1.088 | 0.435 | 1.069 | 0.728 | 100 | 0.658 |
| Ecu | - | 40.83 | 7.536 | 6.634 | 1.979 | 0.786 | 1949 | 2.230 | 8.371 | 202.6 | 167.9 | 8.754 | 1.652 | 0.660 | 1.623 | 1.106 | 151.9 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5631 | 0.5625 | +0.0032 | 0.5633 | 0.5621 | 27,571 | 80,999 |
| Dec | - | 0.5660 | - | 0.5660 | 0.5640 | 14 | 565 |
| Mar | - | 0.5670 | - | 0.5670 | 0.5670 | 12 | 1 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.7418 | 0.7388 | +0.0298 | 0.7475 | 0.7361 | 86,257 | 110,925 |
| Dec | 0.7500 | 0.7475 | +0.0313 | 0.7492 | 0.7460 | 292 | 1,113 |
| Mar | 0.7590 | 0.7590 | - | 0.7590 | 0.7590 | 113 | 1,899 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6774 | 0.6762 | +0.0009 | 0.6767 | 0.6755 | 11,964 | 65,256 |
| Dec | - | 0.6822 | - | - | - | 18 | 225 |
| Mar | - | 0.6860 | - | - | - | - | 3 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.6604 | 1.6660 | +0.0220 | 1.6678 | 1.6646 | 32,592 | 45,313 |
| Dec | 1.6608 | 1.6670 | +0.0212 | 1.6600 | 1.6570 | 30 | 228 |
| Mar | - | 1.6340 | - | 1.6460 | - | - | - |

## UK INTEREST RATES

### LONDON MONEY RATES

| Jun 18 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | - | - | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills | - | - | [illegible] | [illegible] | - | - |
| Bank Bills | - | - | [illegible] | [illegible] | [illegible] | - |
| Local authority deps. | [illegible] - 5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Market deps | [illegible] | [illegible] | - | - | - | - |

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 6.5 | 6.25 | 6.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Jun 5, 7.2198pc. ECGD fixed rate Stg. Export Finance. Make up day May 29, 1998. Agreed rate for period Jun 24, 1998 to Jul 25, 1998, Scheme III 8.72pc. Reference rate for period May 1, 1998 to May 29, 1998, Schemes IV & V 7.477pc. Finance House Base Rate 8pc from Jun 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.120 | 92.100 | -0.030 | 92.160 | 92.060 | 66013 | 174389 |
| Dec | 92.120 | 92.140 | -0.010 | 92.190 | 92.070 | 77251 | 193301 |
| Mar | 92.250 | 92.270 | - | 92.310 | 92.190 | 59165 | 125747 |
| Jun | 92.440 | 92.450 | - | 92.490 | 92.340 | 37479 | 111971 |
| Sep | 92.580 | 92.610 | - | 92.650 | 92.540 | 20323 | 82778 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 92125 | 0.125 | | | 0.150 | | |
| 92250 | 0.070 | 0.165 | 0.310 | 0.220 | 0.275 | 0.290 |
| 92375 | 0.040 | | | 0.315 | | |

Est. vol. total, Calls 28154 Puts 27482. Previous day's open int., Calls 376097 Puts 255520

### EMS EUROPEAN CURRENCY UNIT RATES

| Jun 18 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 357.000 | 335.243 | +0.125 | -6.09 | 6.47 | 41 |
| Ireland | 0.796244 | 0.784549 | +0.001018 | -1.47 | 1.47 | 10 |
| Italy | 1957.61 | 1947.01 | +3.17 | -0.54 | 0.52 | 4 |
| Spain | 168.220 | 167.682 | +0.217 | -0.32 | 0.30 | 2 |
| Denmark | 7.54257 | 7.52662 | +0.01004 | -0.21 | 0.19 | 1 |
| Portugal | 202.692 | 202.359 | +0.284 | -0.16 | 0.14 | 1 |
| France | 6.63186 | 6.62553 | +0.00877 | -0.10 | 0.07 | 1 |
| Finland | 6.01125 | 6.00581 | +0.00682 | -0.09 | 0.07 | 1 |
| Austria | 13.9119 | 13.9036 | +0.0175 | -0.06 | 0.04 | 0 |
| Germany | 1.97738 | 1.97612 | +0.00249 | -0.06 | 0.04 | 1 |
| Belgium | 40.7844 | 40.7616 | +0.0512 | -0.06 | 0.03 | 0 |
| Netherlands | 2.22799 | 2.22750 | +0.00278 | -0.02 | 0.00 | 0 |
| NON ERM MEMBERS - | | | | | | |
| UK | 0.653644 | 0.661041 | -0.005693 | 1.13 | -1.14 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Puts Jul | Puts Aug | Puts Sep |
|---|---|---|---|---|---|---|
| 1.650 | 1.20 | 1.79 | 2.21 | 1.01 | 1.86 | 2.61 |
| 1.660 | 0.75 | 1.35 | 1.77 | 1.57 | 2.45 | 3.04 |
| 1.670 | 0.43 | 0.99 | 1.39 | 2.26 | - | - |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Puts Jul | Puts Aug | Puts Sep |
|---|---|---|---|---|---|---|
| 0.550 | - | - | - | 0.14 | 0.34 | 0.48 |
| 0.555 | 0.79 | 1.14 | 1.37 | 0.25 | 0.49 | 0.64 |
| 0.560 | 0.49 | 0.84 | 1.08 | 0.44 | 0.70 | 0.86 |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.32 | 94.31 | -0.02 | 94.33 | 94.27 | 141,157 | 531,136 |
| Dec | 94.27 | 94.23 | -0.04 | 94.28 | 94.17 | 177,106 | 390,955 |
| Mar | 94.34 | 94.30 | -0.04 | 94.34 | 94.22 | 188,370 | 327,489 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.94 | 94.96 | -0.04 | 94.94 | 94.94 | 722 | 3,309 |
| Dec | 94.96 | 94.96 | -0.08 | 94.98 | 94.96 | 7 | 172 |
| Mar | - | [illegible] | [illegible] | - | [illegible] | [illegible] | [illegible] |

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | Calls | | | | Puts | | | |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | Calls | | | Puts | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7.50 | Exeter Trust Limited | 8.50 | •Singer & Friedlander | 7.25 |
| Allied Irish Bank (GB) | 7.50 | Financial & Gen Bank | 8.00 | •Smith & Williamson | 7.50 |
| •Henry Ansbacher | 7.50 | •Robert Fleming & Co | 7.50 | Sun Bank | 7.50 |
| Banco Bilbao Vizcaya | 7.50 | •Guinness Mahon | 7.50 | TSB | 7.50 |
| Bank of Cyprus | 7.50 | Habib Bank AG Zurich | 7.50 | United Bank of Kuwait | 7.50 |
| Bank of Ireland | 7.50 | •Hambros Bank | 7.50 | Unity Trust Bank Plc | 7.50 |
| Bank of India | 7.50 | Heritable & Gen Inv Bk | 7.50 | Whiteaway Laidlaw | 7.50 |
| Bank of Scotland | 7.50 | C. Hoare & Co | 7.50 | Yorkshire Bank | 7.50 |
| Barclays Bank | 7.50 | Hongkong & Shanghai | 7.50 | | |
| Brit Bk of Mid East | 7.50 | Julian Hodge Bank | 7.50 | • Members of London Investment Banking Association | |
| •Brown Shipley & Co Ltd | 7.50 | •Leopold Joseph & Sons | 7.50 | | |
| Citibank NA | 7.50 | Lloyds Bank | 7.50 | | |
| Clydesdale Bank | 7.50 | Midland Bank | 7.50 | | |
| The Co-operative Bank | 7.50 | NatWest | 7.50 | | |
| •Coutts & Co | 7.50 | •Rea Brothers | 7.50 | | |
| Cyprus Popular Bank | 7.50 | Royal Bk of Scotland | 7.50 | | |
| Duncan Lawrie | 7.50 | Scottish Widows Bank | 7.50 | | |

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# Gold mining groups cut production forecasts

By Kenneth Gooding, Mining Correspondent

Gold producers have responded to the collapse in the metal's price to near 18-year lows by cutting 15m troy ounces, or 466.5 tonnes, from their planned production for the next three years.

A year ago, miners contributing to the Washington-based Gold Institute's annual survey were forecasting world gold production would increase by an average of 3.6 per cent a year to total 88.2m ounces by 2000. Now they are predicting annual growth of only 1 per cent to 83.5m ounces in 2001.

"This is in sharp contrast to growth rates in the 1980s, when production grew from 41m to 65m ounces, averaging more than 5 per cent a year," says the international industry association.

More than 100 mining organisations from 70 countries contribute to the annual survey, supplying actual production data and projections.

The biggest reduction in planned production is forecast for the US, where gold output last year reached a record 11.4m ounces. Last year, the US industry expected production to rise to 12.8m ounces by 2000. Now it is forecasting output will fall to 10.4m ounces in 2001 – a 9 per cent drop from 1997.

Australian producers also had a record 1997, with output of 10m ounces, and have also altered their plans substantially. Last year, they predicted Australia's output would rise to 10.8m ounces by 2000, now they see a fall to 9.6m ounces by 2001, down 4 per cent from the 1997 total.

Canada is now predicting an 8 per cent fall from 1997 to 2001. Last year, it expected to reach 5.9m ounces in 2000; it now predicts output of 4.98m ounces in 2001.

One consequence is that China is forecast to overtake Canada to become the world's fourth largest gold producer in 1999 with a 12 per cent average increase in output, from 5m ounces in 1997 to 5.65m ounces.

South Africa is set to keep its place as the world's biggest producer and seems determined to keep gold output near the 1997 level of 15.8m ounces. South African miners see output at 15.78m ounces in 2001.

South Africa, the US and Australia together produced 47 per cent of the world's gold last year. If the predictions are correct, their collective share will drop to 43 per cent by 2001. Latin America and Asia, at present accounting for 21 per cent of production, are forecast to share 26 per cent by then.

*World Gold Mine Production 1997-2001 from the Gold Institute, 1112 16th Street, Suite 240, Washington DC 20036. $55 in the US and $65 elsewhere.*

**Gold production changes**

| 000 oz | 1997 | 2001 | % chg |
|---|---|---|---|
| Mexico | 836 | 1,173 | +40 |
| Mali | 577 | 784 | +36 |
| Philippines | 1,045 | 1,409 | +35 |
| Papua New Guinea | 1,604 | 2,151 | +34 |
| Peru | 2,405 | 3,215 | +34 |
| Indonesia | 3,260 | 4,121 | +26 |
| USA | 11,414 | 10,407 | -9 |
| Canada | 5,434 | 4,983 | -8 |

Source: The Gold Institute

# Oil marks time ahead of Opec meeting

**MARKETS REPORT**

By Gary Mead

Crude oil prices marked time amid uncertainty in the run-up to next week's meeting of the Organisation of Petroleum Exporting Countries in Vienna, where a fresh round of production cuts is expected to be agreed.

"It's not whether or not Opec will cut production but by how much – that's what will determine the direction the price moves," said one analyst yesterday.

With oil prices at their lowest in real terms for two decades, most specialists say Opec must come up with additional production cuts of as much as 2m b/d if there is to be a sustained price recovery for the rest of 1998.

This would need to be in addition to the several rounds of cuts (until the end of 1998) pledged since March 22 by Opec and non-Opec members. These total some 2.19m b/d, though compliance is currently running at only about 75 per cent, according to some surveys.

On the International Petroleum Exchange in London Brent blend for August delivery slipped to $12.95 a barrel before recovering to $13.02 in late trading, down 4 cents from Wednesday's close.

On the New York Mercantile Exchange July crude opened 25 cents lower at $12.35, dropped to $11.60 and later pulled back to $12.02.

Profit-taking in tin futures had knocked $185 off the three-month price by the close, when the base metal ended at $5,720 a tonne on the London Metal Exchange. Three-month copper closed at $1,670 a tonne, up $26, although the market was poised for a possible upsurge in the context of a potential strike at Codelco's El Teniente mine.

# Coffee trading in India

By Kunal Bose in Calcutta

India's new domestic coffee futures exchange begins trading today, using the facilities of the local stock exchange in the southern city of Bangalore.

"To start with, the daily trading will be around 2,000 lots of 600kg each and the value of transactions will be Rp100m ($2.4m)," said its president, Ashwin Shah.

The coffee exchange is starting with a capital of Rp20m and six trading/clearing members, 65 trading members and 220 ordinary members. It has yet to appoint institutional clearing members, and until it does clearing will be done by trading/clearing members.

It has been modelled on the International Paper Futures Exchange at Kochi in the southern Indian state of Kerala, which has been operating since October.

"We are not expecting any hitches in trading. The members have come to grips with the futures trading system and an exchange mechanism in the mock trading sessions," the exchange said.

The Coffee Board created the exchange to provide hedging facilities to exporters, which handle more than 70 per cent of India's coffee production.

# MacMillan Bloedel bows to pressure from Greenpeace

The company is to stop clear-cut logging in British Columbia, writes **Edward Alden**

Karen Mahon, the indefatigable campaigner for environmental group Greenpeace, handed a bottle of Dom Perignon last week to the head of one of Canada's largest forest products companies.

The champagne was a peace offering to Tom Stephens, president of MacMillan Bloedel, after the company announced that it would end clear-cut logging in British Columbia, Canada's westernmost province. However, there was no mistaking in the gesture which side had won the war.

Clear-cutting, in which all the timber is cut on large tracts of land, accounts for about 95 per cent of all wood harvested in British Columbia and is by far the most economical way to log.

For the past decade, environmentalists in the province have chained themselves to trees and laid down before bulldozers in an effort to stop logging in the last substantial region of temperate old-growth forest in the world.

However, until they took the campaign to Europe two years ago, convincing UK timber retailers such as B&Q and Do It All to boycott British Columbian timber, the skirmishes had largely been a draw. Last week, MacMillan Bloedel surrendered.

The company, the largest in the province, announced that over the next five years it would replace clear-cutting with "variable retention" logging, in which anywhere from 30 per cent to 70 per cent of the timber is left standing.

"It is a very significant change, almost a revolution in logging," says Charles Widman, an independent forest analyst in Vancouver. "The industry has resisted environmental pressures, and tried to discredit Greenpeace. But [the environmentalists] have won the war in the woods by bringing all the customers over to their side."

Canada is the world's second largest producer of lumber and market pulp after the US, and British Columbia is Canada's largest lumber region. However, that status has been carved out largely by harvesting some of the oldest, highest quality old-growth softwood lumber in the world.

Mr Stephens of MacMillan Bloedel was convinced the loss of markets in Europe, while only a small portion of its business, was a harbinger of worse to come.

MacMillan Bloedel's decision puts enormous pressure on the other companies logging in the coastal forest, such as International Forest Products and Doman Industries. Those two companies have the largest holdings in the central coast area, where Greenpeace wants a logging moratorium for two years.

Ike Barber, chairman of Slocan Forest Products, the interior's largest lumber company, has no plans to emulate MacMillan Bloedel. The shift, he says, "is mainly focused on managing the perception of old-growth forests", most of which are in the coastal areas.

However, it is not clear that the industry can afford to abandon clear-cutting. British Columbia's forest industry is suffering its worst slump in memory. It lost C$192m (US$131m) in 1997 and C$150m in 1996, and the numbers are looking worse this year.

Harvesting costs on the coast are the highest in the world, having risen by 60 per cent since 1993, while lumber prices are down 40 per cent from a year ago.

High labour costs, rising provincial taxes and more costly environmental regulations have priced softwood lumber producers out of some markets.

The total cut is down 20 per cent on the coast and 9 per cent throughout the province, mostly owing to the collapse of the Japanese housing market and quotas restricting sales to the US.

MacMillan Bloedel estimates the change to variable retention logging will add about C$4 per cubic metre to total harvesting costs of more C$105 per cubic metre.

Succeeding despite still higher costs will depend on softwood lumber producers changing fundamentally how they do their business, says Clark Binkley, dean of forestry at the University of British Columbia.

In the past, the government had insisted that companies maintain high volumes, regardless of market conditions. In the future, they will have to be more flexible, harvesting only the best timber when lumber prices are low and expanding their operations as prices strengthen.

Mr Stephens says the secret to success "is to change our thinking from being volume-driven to being market-driven".

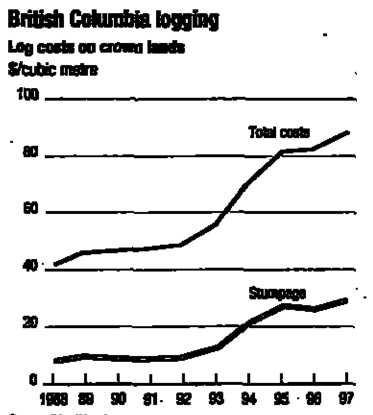
One result of MacMillan Bloedel's transformation may be to force all but the richest and most focused companies out of the business, says Mr Widman.

Mergers and acquisitions in the forest industry have already hit eastern Canadian newsprint companies with the merger of Abitibi-Price and Stone Consolidated, and Bowater's purchase of Avenor.

On the west coast, both International Forest Products and Doman are vulnerable to takeovers, and may be unable to match MacMillan Bloedel's initiative.

**British Columbia logging**

Log costs on crown lands

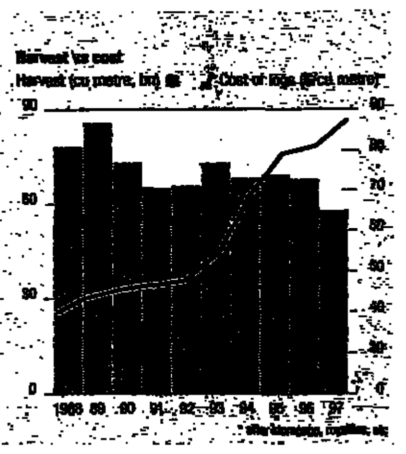



Source: Price Waterhouse

**Harvest volumes**

| Cubic metre (m) | | 1995 | 96 | 97 |
|---|---|---|---|---|
| Coast | Company | 14.1 | 11.8 | 11.4 |
| | Contractors | 12.8 | 11.1 | 10.8 |
| | | 26.9 | 22.9 | 22.3 |
| Interior | Company | 8.4 | 8.4 | 0.4 |
| | Contractors | 40.2 | 51.9 | 45.9 |
| | | 48.6 | 52.3 | 46.3 |
| Total | Company | 14.5 | 12.2 | 11.8 |
| | Contractors | 62.0 | 63.0 | 56.8 |
| | | 76.5 | 75.2 | 68.6 |
| Log source | Crown lands | 67.0 | 67.6 | 60.8 |
| | Private lands | 9.5 | 7.6 | 7.8 |
| | | 76.5 | 75.2 | 68.6 |

**Harvest vs cost**




## COMMODITIES PRICES

## BASE METALS

### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1316.5-17.5 | 1345-46 |
| Previous | 1308-9 | 1338-9 |
| High/low | | n/a |
| AM Official | 1316-17 | 1347-47.5 |
| Kerb close | | n/a |
| Open int. | 290,091 | |
| Total daily turnover | 81,179 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1217-22 | 1217-20 |
| Previous | 1215-20 | 1215-20 |
| High/low | | n/a |
| AM Official | 1227-29 | 1223-25 |
| Kerb close | | n/a |
| Open int. | 7,903 | |
| Total daily turnover | 3,573 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 522-3 | 537-8 |
| Previous | 523.5-4.5 | 539-40 |
| High/low | | n/a |
| AM Official | 526-7 | 541-2 |
| Kerb close | | n/a |
| Open int. | 37,759 | |
| Total daily turnover | 5,862 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 4390-400 | 4460-70 |
| Previous | 4400-10 | 4475-80 |
| High/low | | n.a |
| AM Official | 4430-40 | 4505-10 |
| Kerb close | | n.a |
| Open int. | 52,291 | |
| Total daily turnover | 10,594 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5820-30 | 5760-65 |
| Previous | 6050-60 | 5960-65 |
| High/low | | n/a |
| AM Official | 5975-85 | 5905-10 |
| Kerb close | | n/a |
| Open int. | 16,891 | |
| Total daily turnover | 6,987 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1013.5-14.5 | 1038-39 |
| Previous | 1020-1 | 1044-5 |
| High/low | | n/a |
| AM Official | 1013-14 | 1040-40.5 |
| Kerb close | | n/a |
| Open int. | 84,894 | |
| Total daily turnover | 21,110 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1668.5-69.5 | 1676-77 |
| Previous | 1645-6 | 1657-8 |
| High/low | | n/a |
| AM Official | 1670-71 | 1677-78 |
| Kerb close | | n/a |
| Open int. | 173,305 | |
| Total daily turnover | 51,415 | |

■ LME AM Official £/$ rate: 1.6765

LME Closing £/$ rate: n/a

Spot: 1.6693 3 mths: 1.6654 6 mths: 1.6629 9 mths: 1.6448

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 73.95 | -0.75 | 76.00 | 73.95 | 291 | 691 |
| Jul | 74.10 | -0.80 | 76.70 | 74.00 | 5,434 | 28,588 |
| Aug | 74.50 | -0.75 | 76.60 | 75.00 | 58 | 2,479 |
| Sep | 74.75 | -0.80 | 76.90 | 74.50 | 2,132 | 10,891 |
| Oct | 75.00 | -0.55 | 75.90 | 75.20 | 15 | 1,863 |
| Nov | 75.20 | -0.55 | 75.50 | 75.50 | 3 | 1,468 |
| Total | | | | | 8,536 | 60,017 |

## PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 293.10-293.60 | | |
| Opening | 294.00-294.30 | | |
| Morning fix | 293.05 | 175.18 | 436.94 |
| Afternoon fix | 292.45 | 174.70 | 436.19 |
| Day's High | 294.50-295.00 | | |
| Day's Low | 291.05-291.35 | | |
| Previous close | 291.70-292.20 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.24 | 6 months | 4.11 |
| 2 months | 4.22 | 12 months | 3.79 |
| 3 months | 4.19 | | |

| Silver Fix | p/troy oz. | US cts equiv |
|---|---|---|
| Spot | 318.10 | 531.75 |

Silver Lending Rates

| | | | |
|---|---|---|---|
| 1 month | 3.00 | 6 months | 2.25 |
| 2 months | 2.75 | 12 months | 2.00 |
| 3 months | 2.60 | | |

| Gold Coins | $ price | £ equiv |
|---|---|---|
| Krugerrand | 293-297 | 175-177 |
| New Sovereign | 68-72 | 41-43 |

## Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 292.8 | -0.2 | 293.0 | 291.2 | 274 | 189 |
| Aug | 294.6 | -0.3 | 297.3 | 292.5 | 44,390 | 91,368 |
| Oct | 296.9 | -0.3 | 297.5 | 295.1 | 428 | 7,144 |
| Dec | 298.9 | -0.3 | 300.5 | 296.6 | 525 | 22,153 |
| Feb | 300.6 | -0.3 | - | - | 236 | 11,117 |
| Apr | 302.4 | -0.3 | - | - | 6 | 7,853 |
| Total | | | | | 48,147 | 173,342 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 358.2 | -2.7 | 365.0 | 356.7 | 1,857 | 8,229 |
| Oct | 359.5 | -2.4 | 363.0 | 358.5 | 469 | 3,211 |
| Jan | 359.0 | -2.4 | 361.0 | 361.0 | 8 | 128 |
| Apr | 359.0 | -2.4 | - | - | 1 | 14 |
| Total | | | | | 2,336 | 11,582 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 296.20 | +0.20 | - | - | 25 | 286 |
| Sep | 286.20 | -3.80 | 292.00 | 270.00 | 95 | 2,949 |
| Dec | 279.20 | -3.80 | - | - | 40 | 946 |
| Total | | | | | 273 | 4,201 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 526.0 | -10.5 | 540.0 | 521.0 | 16,600 | 47,141 |
| Sep | 530.3 | -10.5 | 543.5 | 525.0 | 2,522 | 17,410 |
| Dec | 534.9 | -10.4 | 549.0 | 531.0 | 723 | 15,740 |
| Jan | 535.8 | -10.4 | - | - | - | 25 |
| Mar | 536.9 | -10.4 | 545.0 | 538.0 | 9 | 3,184 |
| May | 538.3 | -10.4 | - | - | - | 816 |
| Total | | | | | 19,857 | 91,973 |

## ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 12.06 | -0.54 | 12.60 | 11.60 | 74,203 | 44,621 |
| Aug | 13.41 | -0.28 | 13.68 | 13.20 | 73,675 | 110.2k |
| Sep | 14.28 | -0.19 | 14.58 | 14.15 | 16,736 | 54,847 |
| Oct | 14.96 | -0.12 | 15.08 | 14.85 | 7,130 | 33,237 |
| Nov | 15.48 | -0.08 | 15.60 | 15.45 | 2,385 | 16,039 |
| Dec | 15.84 | -0.08 | 15.95 | 15.77 | 6,601 | 43,362 |
| Total | | | | | 180,912 | 478,238 |

■ CRUDE OIL IPE ($/barrel)

| | Open price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 12.99 | -0.07 | 13.13 | 12.88 | 21,222 | 84,586 |
| Sep | 13.49 | -0.16 | 13.62 | 13.41 | 6,089 | 29,147 |
| Oct | 13.94 | -0.16 | 14.05 | 13.84 | 3,229 | 19,948 |
| Nov | 14.41 | -0.03 | 14.41 | 14.25 | 683 | 12,416 |
| Dec | 14.65 | -0.07 | 14.70 | 14.52 | 5,401 | 35,618 |
| Jan | 14.95 | -0.06 | 14.95 | 14.80 | 2,585 | 20,537 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 36.75 | -0.57 | 37.30 | 36.45 | 17,894 | 36,087 |
| Aug | 38.00 | -0.60 | 38.55 | 37.80 | 13,747 | 37,963 |
| Sep | 39.75 | -0.55 | 40.30 | 39.65 | 6,285 | 17,615 |
| Oct | 41.55 | -0.50 | 42.05 | 41.55 | 1,936 | 14,572 |
| Nov | 43.45 | -0.25 | 43.70 | 43.25 | 888 | 13,031 |
| Dec | 44.90 | -0.30 | 45.40 | 44.75 | 3,238 | 24,429 |
| Total | | | | | 60,143 | 204,394 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 114.00 | -1.75 | 115.00 | 112.50 | 9,504 | 40,662 |
| Aug | 118.75 | -1.75 | 119.50 | 117.75 | 5,284 | 18,483 |
| Sep | 123.25 | -1.25 | 123.50 | 122.75 | 923 | 13,506 |
| Oct | 128.00 | -1.00 | 128.25 | 127.25 | 1,291 | 14,371 |
| Nov | 132.00 | -0.75 | 132.25 | 131.50 | 553 | 9,723 |
| Dec | 135.00 | -0.75 | 136.00 | 134.75 | 2,051 | 35,956 |
| Total | | | | | 19,473 | 163,067 |

■ NATURAL GAS IPE (1,000 therms, pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Jul | 9.120 | - | 9.120 | 9.120 | 25 | 1,325 |
| Aug | 9.050 | -0.050 | 9.050 | 9.050 | 25 | 870 |
| Total | | | | | 785 | 18,180 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 2.155 | -0.019 | 2.200 | 2.080 | 53,542 | 43,367 |
| Aug | 2.175 | -0.022 | 2.220 | 2.115 | 20,692 | 34,683 |
| Sep | 2.190 | -0.017 | 2.240 | 2.140 | 5,898 | 21,351 |
| Oct | 2.240 | -0.030 | 2.285 | 2.195 | 5,336 | 22,119 |
| Nov | 2.440 | -0.030 | 2.480 | 2.400 | 4,171 | 18,074 |
| Dec | 2.655 | -0.022 | 2.685 | 2.615 | 2,847 | 22,981 |
| Total | | | | | 103,122 | 276,127 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 46.10 | -0.41 | 46.65 | 45.55 | 20,704 | 31,173 |
| Aug | 46.90 | -0.55 | 47.45 | 46.50 | 11,338 | 30,602 |
| Sep | 47.60 | -0.36 | 47.85 | 47.25 | 5,168 | 22,097 |
| Oct | 47.35 | -0.22 | 48.35 | 47.00 | 1,028 | 6,994 |
| Nov | 47.82 | - | - | - | 607 | 3,272 |
| Dec | 47.75 | -0.09 | 47.75 | 47.60 | 1,374 | 4,923 |
| Total | | | | | 40,221 | 102,982 |

## GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 78.00 | +3.00 | 78.00 | 75.00 | 106 | 771 |
| Sep | 72.80 | -0.90 | 73.00 | 72.75 | 37 | 165 |
| Nov | 74.80 | -0.90 | 75.50 | 74.75 | 393 | 3,703 |
| Jan | 76.60 | -0.90 | 77.50 | 76.60 | 282 | 878 |
| Mar | 78.80 | -0.90 | 79.00 | 78.75 | 111 | 466 |
| Total | | | | | 1,040 | 6,294 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 283.75 | - | 286.00 | 281.50 | 22,863 | 41,343 |
| Sep | 294.75 | -0.25 | 296.75 | 293.00 | 9,214 | 28,993 |
| Dec | 309.50 | - | 312.25 | 308.00 | 5,155 | 33,333 |
| Mar | 321.75 | -0.50 | 324.50 | 319.75 | 984 | 10,230 |
| May | 327.00 | - | 331.00 | 326.00 | 153 | 1,528 |
| Jul | 334.00 | -2.50 | 336.50 | 333.50 | 596 | 1,534 |
| Total | | | | | 38,986 | 116,981 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 245.50 | +1.00 | 251.00 | 243.00 | 45,663 | 96,194 |
| Sep | 249.75 | +0.75 | 254.50 | 247.50 | 17,353 | 67,473 |
| Dec | 254.00 | +0.75 | 259.00 | 252.00 | 58,018 | 137,984 |
| Mar | 262.25 | +0.50 | 267.50 | 260.00 | 2,789 | 16,620 |
| May | 267.25 | +0.50 | 272.00 | 265.00 | 576 | 3,408 |
| Jul | 272.75 | +0.75 | 276.50 | 270.00 | 402 | 6,629 |
| Total | | | | | 126,198 | 331,483 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 70.75 | -0.90 | - | - | - | 24 |
| Nov | 72.75 | -0.90 | 73.00 | 72.75 | 55 | 983 |
| Jan | 74.75 | -0.90 | - | - | - | 198 |
| Mar | 76.75 | -0.90 | - | - | - | 46 |
| May | 78.25 | -1.00 | - | - | - | 11 |
| Total | | | | | 55 | 1,262 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 631.00 | +5.50 | 632.00 | 621.50 | 30,549 | 46,445 |
| Aug | 619.75 | +4.00 | 620.00 | 611.25 | 7,051 | 26,483 |
| Sep | 605.00 | +2.00 | 607.00 | 599.50 | 1,710 | 8,265 |
| Nov | 599.00 | +0.25 | 602.50 | 593.50 | 43,569 | 58,038 |
| Jan | 606.75 | +1.50 | 608.00 | 601.50 | 613 | 5,828 |
| Mar | 613.00 | +1.00 | 615.00 | 608.00 | 243 | 2,939 |
| Total | | | | | 84,228 | 151,714 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 25.33 | +0.16 | 25.40 | 25.06 | 10,335 | 36,780 |
| Aug | 25.50 | +0.16 | 25.55 | 25.22 | 6,913 | 28,034 |
| Sep | 25.65 | +0.16 | 25.75 | 25.40 | 2,843 | 18,646 |
| Oct | 25.65 | +0.15 | 25.75 | 25.45 | 1,336 | 11,175 |
| Dec | 25.70 | +0.19 | 25.75 | 25.43 | 7,156 | 33,915 |
| Jan | 25.77 | +0.18 | 25.80 | 25.58 | 305 | 3,132 |
| Total | | | | | 28,198 | 138,818 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 163.4 | +1.2 | 164.0 | 160.7 | 17,425 | 33,588 |
| Aug | 161.4 | +0.8 | 162.7 | 159.5 | 6,860 | 27,595 |
| Sep | 160.1 | +0.8 | 161.7 | 158.8 | 2,824 | 17,302 |
| Oct | 159.3 | +0.7 | 161.0 | 158.0 | 1,929 | 13,184 |
| Dec | 161.1 | +1.0 | 162.3 | 159.2 | 9,915 | 37,188 |
| Jan | 162.1 | +0.6 | 163.5 | 161.0 | 376 | 5,368 |
| Total | | | | | 40,919 | 139,683 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 81.0 | - | - | - | - | 3 |
| Mar | 120.0 | - | - | - | - | - |
| Apr | 154.5 | -2.0 | 156.4 | 154.1 | 80 | 1,882 |
| May | 164.5 | -2.0 | - | - | - | -29 |
| Jun | 174.5 | -2.0 | - | - | - | - |
| Total | | | | | 80 | 1,882 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 905 | - | 905 | 900 | 9 | 58 |
| Jul | 850 | +5 | 880 | 850 | 37 | 494 |
| Oct | 945 | +5 | - | - | - | 393 |
| Jan | 975 | +5 | - | - | - | 137 |
| Apr | 1015 | +5 | - | - | - | 346 |
| Total | | | | | 81 | 1,201 |

| | Close | Prev |
|---|---|---|
| BFI | 905 | 908 |

## PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 504.00 | +0.50 | 504.00 | 504.00 | 10 | 661 |
| Dec | 525.00 | -1.00 | 525.00 | 525.00 | 3 | 188 |
| Total | | | | | 13 | 919 |

FUTURES DATA

*All futures data supplied by CMS.*

**Wool** from Mallett & Co

Australian prices showed little change. The eastern market indicator closed 1 cent lower at 587 cents a kg. New Zealand crossbreds eased with the overall indicator down 5 cents at 490 cents a kg. The South African season has ended and the lull in offerings between the seasons is not expected to bring any strength. Ahead lie increases in wool offerings as the new season gets under way, continuing official stockpile sales and the knowledge that private withdrawals when re-offered by growers could check any significant price movements. The Asian crisis has continued to affect prices.

## SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1063 | -2 | 1070 | 1055 | 1,278 | 16,581 |
| Sep | 1090 | -1 | 1096 | 1083 | 2,776 | 24,986 |
| Dec | 1116 | +1 | 1119 | 1110 | 2,131 | 36,484 |
| Mar | 1140 | +3 | 1141 | 1133 | 145 | 36,341 |
| May | 1153 | +3 | 1151 | 1147 | - | 13,522 |
| Jul | 1167 | +3 | - | - | - | 6,388 |
| Total | | | | | 6,335 | 144,981 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1601 | -23 | 1623 | 1600 | 484 | 1,201 |
| Sep | 1647 | -18 | 1665 | 1645 | 3,372 | 26,420 |
| Dec | 1686 | -16 | 1700 | 1686 | 537 | 18,749 |
| Mar | 1718 | -15 | 1724 | 1718 | 91 | 10,595 |
| May | 1749 | -5 | - | - | 10 | 4,261 |
| Jul | 1772 | -2 | - | - | - | 1,582 |
| Total | | | | | 4,494 | 78,609 |

■ COCOA (ICCO) (SDR's/tonne)

| Jun 17 | Price | Prev. day |
|---|---|---|
| Daily | 1321.45 | 1319.37 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1660 | -38 | 1690 | 1655 | 1,854 | 11,243 |
| Sep | 1660 | -23 | 1683 | 1655 | 2,121 | 14,335 |
| Nov | 1650 | -20 | 1670 | 1645 | 225 | 4,652 |
| Jan | 1640 | -20 | 1640 | 1640 | 3 | 991 |
| Mar | 1630 | -20 | - | - | - | 498 |
| May | 1620 | -20 | - | - | - | 149 |
| Total | | | | | 4,303 | 31,868 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 117.95 | -0.10 | 118.50 | 116.25 | 4,438 | 6,741 |
| Sep | 117.10 | -0.95 | 118.00 | 115.75 | 5,442 | 13,785 |
| Dec | 117.85 | -0.90 | 119.00 | 117.00 | 1,303 | 8,169 |
| Mar | 118.25 | -0.50 | 118.75 | 117.25 | 210 | 2,994 |
| May | 118.50 | -0.75 | 119.00 | 117.50 | 82 | 1,394 |
| Jul | 118.90 | -0.85 | 119.00 | 118.75 | 40 | 792 |
| Total | | | | | 11,083 | 36,123 |

■ COFFEE (ICO) (US cents/pound)

| Jun 16 | | Prev. day |
|---|---|---|
| Comp. daily | 103.35 | 102.72 |
| 15 day average | 107.65 | 108.27 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 253.9 | +1.7 | 258.0 | 251.0 | 681 | 14,082 |
| Oct | 245.0 | +2.2 | 247.5 | 244.0 | 913 | 18,177 |
| Dec | 243.0 | +1.8 | 245.5 | 243.8 | 86 | 3,920 |
| Mar | 246.4 | +1.2 | 248.9 | 246.5 | 268 | 4,777 |
| May | 248.4 | - | - | - | - | 735 |
| Aug | 253.9 | +3.0 | - | - | - | 790 |
| Total | | | | | 1,928 | 42,835 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 7.99 | +0.01 | 8.13 | 7.88 | 16,102 | 50,009 |
| Oct | 8.21 | +0.04 | 8.33 | 8.10 | 13,158 | 92,752 |
| Mar | 8.73 | - | 8.83 | 8.67 | 3,558 | 33,270 |
| May | 8.88 | +0.01 | 9.00 | 8.88 | 190 | 4,956 |
| Jul | 8.94 | +0.01 | 8.95 | 8.90 | 108 | 3,915 |
| Oct | 9.02 | +0.01 | 9.07 | 9.05 | 142 | 5,255 |
| Total | | | | | 33,258 | 194,933 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 74.50 | +1.19 | 74.65 | 73.50 | 7,120 | 16,502 |
| Oct | 75.64 | +0.94 | 75.88 | 74.70 | 1,397 | 5,454 |
| Dec | 75.73 | +0.69 | 76.00 | 75.05 | 7,062 | 46,343 |
| Mar | 75.30 | +0.61 | 75.40 | 74.75 | 1,742 | 10,578 |
| May | 74.70 | +0.50 | 74.70 | 74.26 | 390 | 6,541 |
| Total | | | | | 17,941 | 93,807 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 101.30 | -1.20 | 101.90 | 100.70 | 1,810 | 14,808 |
| Sep | 105.25 | -1.40 | 105.75 | 104.70 | 1,104 | 9,152 |
| Nov | 108.25 | -1.40 | 108.50 | 108.00 | 176 | 4,656 |
| Jan | 111.20 | -1.10 | 111.20 | 111.20 | 60 | 2,249 |
| Mar | 114.20 | -1.10 | 114.50 | 114.25 | 80 | 1,138 |
| May | 117.20 | -1.10 | - | - | - | 682 |
| Total | | | | | 3,230 | 32,833 |

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

## INDICES

■ Reuters (Base: 18/9/31 = 100)

| Jun 18 | Jun 17 | month ago | year ago |
|---|---|---|---|
| 1553.5 | 1551.0 | 1632.6 | 2012.9 |

■ CRB Futures (Base: 1967 = 100)

| Jun 17 | Jun 16 | month ago | year ago |
|---|---|---|---|
| 212.80 | 209.02 | - | - |

■ GSCI Spot (Base: 1970 = 100)

| Jun 17 | Jun 16 | month ago | year ago |
|---|---|---|---|
| 153.28 | 150.05 | 160.50 | 186.30 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | -950 | to | 545,925 |
| Aluminium alloy | +1,420 | to | 53,500 |
| Copper | +225 | to | 252,875 |
| Lead | -325 | to | 105,350 |
| Nickel | +24 | to | 59,408 |
| Zinc | -1,350 | to | 414,000 |
| Tin | +115 | to | 4,770 |

## MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 63.450 | -0.850 | 64.300 | 63.150 | 4,940 | 7,284 |
| Aug | 64.850 | -0.600 | 65.650 | 64.525 | 10,836 | 42,110 |
| Oct | 64.175 | -0.750 | 65.075 | 63.875 | 3,190 | 23,975 |
| Dec | 65.900 | -0.575 | 66.675 | 65.800 | 1,485 | 7,743 |
| Feb | 67.450 | -0.450 | 68.025 | 67.400 | 253 | 3,212 |
| Apr | 68.850 | -0.225 | 69.200 | 68.850 | 51 | 1,030 |
| Total | | | | | 2,898 | 46,343 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 62.150 | -0.025 | 62.175 | 61.400 | 3,004 | 10,008 |
| Aug | 59.150 | -0.075 | 59.350 | 58.450 | 3,411 | 11,151 |
| Oct | 52.925 | -0.375 | 53.200 | 52.400 | 362 | 5,330 |
| Dec | 52.575 | -0.475 | 53.100 | 52.350 | 207 | 3,747 |
| Feb | 54.850 | -0.425 | 55.200 | 54.750 | 11 | 983 |
| Apr | 53.900 | -0.225 | 54.150 | 53.725 | 15 | 327 |
| Total | | | | | 245 | 8,909 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 59.350 | +0.200 | 59.600 | 57.175 | 1,442 | 3,223 |
| Aug | 56.875 | +0.200 | 57.250 | 54.900 | 537 | 1,947 |
| Feb | 57.250 | -0.125 | 57.750 | 55.800 | 15 | 42 |
| Total | | | | | 91 | 1,762 |

## LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Aug | Nov | Aug | Nov |
| 1350 | 26 | 58 | 45 | 50 |
| 1400 | 11 | 37 | 80 | 77 |
| 1450 | 4 | 22 | 122 | 111 |
| ■ COPPER (Grade A) LME | Aug | Nov | Aug | Nov |
| 1600 | 100 | 125 | 39 | 65 |
| 1700 | 49 | 77 | 88 | 115 |
| 1800 | 21 | 44 | 159 | 181 |
| ■ COFFEE LIFFE | Jul | Sep | Jul | Sep |
| 1600 | 98 | 108 | 1 | 46 |
| 1650 | 48 | 82 | 1 | 72 |
| 1700 | 6 | 67 | 8 | 107 |
| ■ COCOA LIFFE | Jul | Sep | Jul | Sep |
| 1050 | 16 | 59 | 1 | 19 |
| 1075 | 2 | 45 | 12 | 30 |
| 1100 | 1 | - | 35 | 44 |
| ■ BRENT CRUDE IPE | Jul | Aug | Jul | Aug |
| 1300 | - | - | - | 65 |
| 1350 | 59 | - | - | 88 |
| 1400 | 34 | 74 | - | - |

## LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $11.23-1.30x | -0.45 |
| Brent Blend (dated) | $10.95-1.02 | -0.38 |
| Brent Blend (Aug) | $12.95-2.99 | -0.47 |
| W.T.I. | $13.32-3.34x | -0.60 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | +or- |
|---|---|---|
| Premium Gasoline | $155-157 | -1 |
| Gas Oil | $112-113 | -1 |
| Heavy Fuel Oil | $60-62 | |
| Naphtha | $114-116 | -3 |
| Jet fuel | $123-124 | -1 |
| Diesel | $116-117 | -2 |

■ NATURAL GAS (Pence/therm)

| | | +or- |
|---|---|---|
| Bacton (Jul) | 9.08-9.13 | -0.02 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

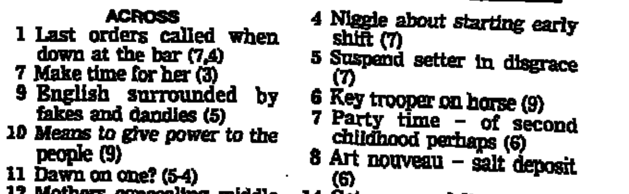
| | | +or- |
|---|---|---|
| Gold (per troy oz)♣ | $293.35 | +1.40 |
| Silver (per troy oz)♣ | 531.75c | +3.75 |
| Platinum (per troy oz.) | $357.00 | -1.00 |
| Palladium (per troy oz.) | $283.00 | +8.00 |
| Copper | 80.0c | +1.0 |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 23.50r | -1.00 |
| Tin (New York) | 287.5 | -3.0 |
| Cattle (live weight) | 88.77p | +0.73* |
| Sheep (live weight) | 110.38p | -20.88* |
| Pigs (live weight)† | 64.17p | -0.30* |
| Lon. day sugar (raw) | $199.40 | +8.20 |
| Lon. day sugar (wte) | $250.00 | +1.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jul)♥ | 45.00p | -0.25 |
| Rubber (Aug)♥ | 45.00p | -0.25 |
| Rubber (KL RSS No1) | 276.00m | +1.50 |
| Coconut Oil (Phil)§ | 649.0y | -25.0 |
| Palm Oil (Malay.)§ | 620.00 | +5.0 |
| Copra (Phil)§ | $416.0y | +1.0 |
| Soyabeans (US) | 163.0 | -4.0 |
| Cotton Outlook 'A' index | 68.15 | |
| Wooltops (64s Super) | 331p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jun/Jul. x Aug. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,449 head of pigs sold.

**JOTTER PAD**

## CROSSWORD

No.9,712 Set by ORENSE



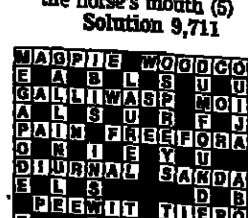
ACROSS

1 Last orders called when down at the bar (7,4)
7 Make time for her (3)
9 English surrounded by fakes and dandies (5)
10 Means to give power to the people (9)
11 Dawn on one? (5-4)
12 Mothers concealing middle age under crusty exterior (5)
13 Shift scheme organised around top industrialists (7)
15 Good game followed by beer at first and then food (4)
18 Backed favourites to make progress (4)
20 Ask for rent adjustment before tea is served (7)
23 Cattle drive? (5)
24 Definitely caught and bowled (3,3,3)
26 Paying for a pitch meant listening (9)
27 Boiling point came after one art display (5)
28 'Time' or 'Listener' according to rumour (3)
29 Comfort, console and gladden – and show approval (5,6)

DOWN

1 Spectators one hears (8)
2 Tree fighters elected to the council (8)
3 Attractive course finishing early (5)
4 Niggle about starting early shift (7)
5 Suspend setter in disgrace (7)
6 Key trooper on horse (9)
7 Party time – of second childhood perhaps (6)
8 Art nouveau – salt deposit (6)
14 Get a crossed line in short chat – no laughing matter (9)
16 Left alone, fail to win backing in meeting (8)
17 Talks on the way often hesitating (8)
19 Explorer, one in ripe pickle (7)
20 Call Sir (7)
21 Grounds for ending peace, say (6)
22 Read of malfunctioning top gear (6)
25 Not said to be straight from the horse's mouth (5)

Solution 9,711



صكنا من الاجل

Oil marks time ahead of Opec meeting

MARKETS REPORT



# FT MANAGED FUNDS SERVICE



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (FSA RECOGNISED)

[illegible]

### BERMUDA (REGULATED)(**)

[illegible]

### GUERNSEY (FSA RECOGNISED)

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (FSA RECOGNISED)

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

### ISLE OF MAN (FSA RECOGNISED)

[illegible]

### ISLE OF MAN (REGULATED)(**)

[illegible]

### JERSEY (FSA RECOGNISED)

[illegible]

### JERSEY (REGULATED)(**)

[illegible]

### LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

Frontrunner I - Contd.

GT Global

HSBC Investment Funds Luxembourg SA (u)

Morgan Stanley Sicav - Contd.

Barclays Diversified Portfolio (z)

Barclays Inv Funds (Luxembourg)

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## Professional Investment Consultants

## Royal & Sun Alliance Intl Financial Services

## Royal Skandia Life Assurance Ltd

## Atlantic Investment Management, Inc

## Atlantic Fund Management (Guernsey) Ltd

## Atlas Management Limited

## Atlas Real Estate Hedge Fund Limited

## Aurum Funds

## BEA Associates

## BMP

## Julius Baer Bank & Trust Co Ltd

## Bahia Fund

## OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | †‡ | 581½xd | -3 | 648 | 473½ | 4,484 | 4.3 | 14.2 |
| Bulmer (HP) | † | 365½ | — | 532½ | 295 | 37 | 5.2 | 11.0 |
| Burn Stewart | † | 20 | — | 70½ | 19½ | 14 | 10.6 | — |
| Diageo | ‡ | 780xd | +2 | *775 | 432 | 3,821 | 3.0 | 32.3 |
| Glenmorangie A | | 885 | — | 980 | 755 | — | 2.0 | 20.4 |
| B | | 852½ | — | 1080 | 830 | — | 6.9 | 44.1 |
| Highland | † | 302½ | — | 347 | 258 | 7 | 3.7 | 14.0 |
| 5 ¼pc Cv Sb Bd | | 88 | -½ | 89½ | 83½ | — | 5.8 | — |
| Kirin Y | | 538¼ | +23¼ | 825 | 416¼ | — | 1.0 | — |
| Matthew Clark | ‡‡ | 198 | -2 | 277½ | 157 | 38 | 12.6 | 6.4 |
| Merrydown | † | 47½ | — | 108½ | 37½ | — | 8.2 | — |
| Seagram C$ | | £24½ | -½ | £28¼ | £18½ | — | 1.1 | — |

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

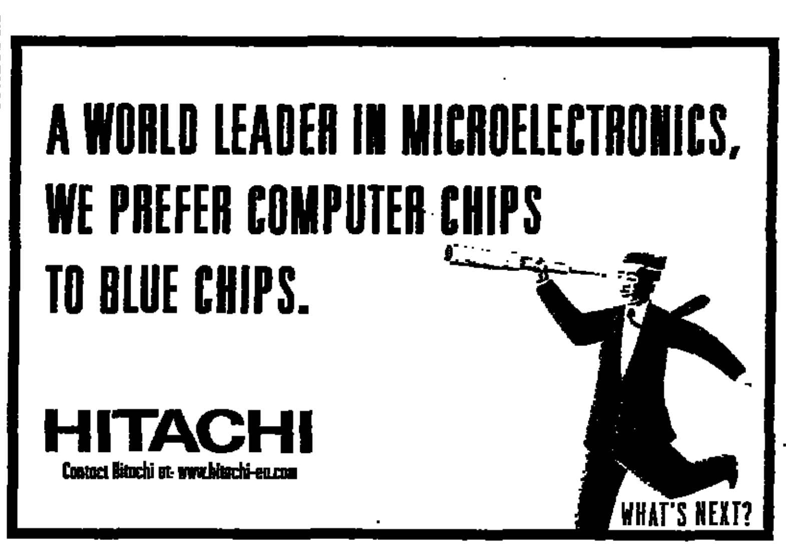
## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING, VEHICLES




## ENGINEERING, VEHICLES - Continued

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS & TEXT

## HOUSEHOLD GOODS & TEXT - Continued

## INSURANCE

## INSURANCE - Continued

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Continued

## INV TRUSTS SPLIT CAPITAL

هكذا من الأصل



# LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

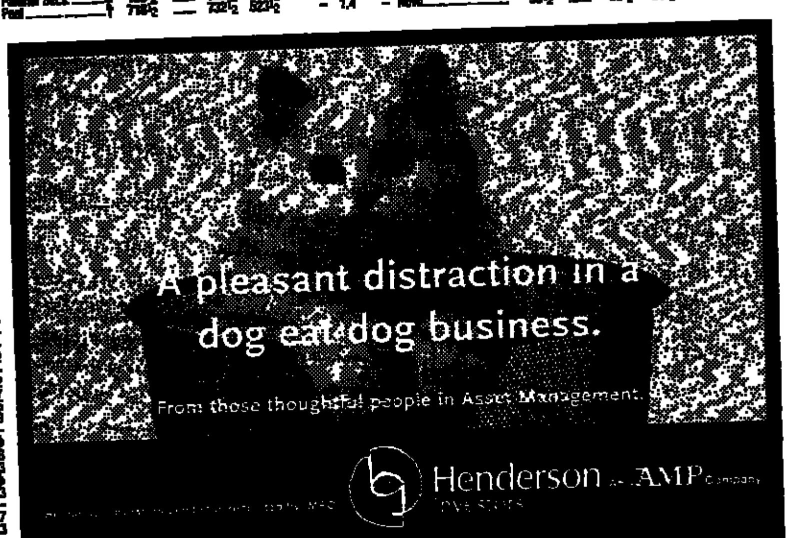
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY




PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

FT Free Annual Reports Club

FT Company Focus / Focus Plus

FT Cityline

## LONDON STOCK EXCHANGE

# Retail sales growth puts paid to Footsie's rally

**MARKET REPORT**

By Philip Coggan, Markets Editor

Three days of troublesome economic data finally proved too much for the UK stock market.

After shrugging off Tuesday's higher-than-expected retail price numbers and Wednesday's pick-up in average earnings, a surge in retail sales growth was the final straw.

The volume of sales in May grew by 1.7 per cent, bringing the annual rate up to 4.6 per cent. A good part of the increase was due to a rebound in clothing sales after April's poor weather, but the markets were in no mood to make allowances.

"Just when it looked as if the interest rate sentiment could hardly get worse, retail sales recorded a monthly increase five times market expectations," commented Adam Cole, UK economist at HSBC Securities.

"Abstracting from the monthly distortions, annual sales growth of 4.6 per cent is well beyond what the monetary policy committee will feel comfortable with, particularly as sales a year ago were boosted strongly by windfall-related spending."

The feeling that UK interest rates were set to rise again was highlighted in the foreign exchange markets, where sterling once again came close to the DM3 level. It closed at DM2.9959 in London, up 2.5 pfg on the day.

That represented more bad news for the UK's exporters, who had started to perk up when the pound fell below DM2.90, and the industrial-heavy FTSE 250 index fell for the seventh consecutive day, dropping 24.2 points to 5,659.2. Its cumulative loss over the period is more than 300 points.

The FTSE 100 index had rallied by more than 100 points on Wednesday on the back of the sudden reversal in the fortunes of the yen, prompted by intervention by the Bank of Japan and the US Federal Reserve.

The news had sparked a strong run in most world stock markets on easing of the immediate fears of an Asian collapse. And, after Asian stock markets had risen strongly again overnight, Footsie opened firmly, reaching its best for the day of 5,871.4, up 38.7, in the first quarter hour of trading.

But the retail sales numbers put paid to the rally and Footsie fell steadily, reaching the day's low of 5,769.0, down 63.7, just before Wall Street opened. A steady performance from New York allowed the blue-chip index to close just 20.6 down at 5,812.1. The FTSE SmallCap index ended 3.1 off at 2,709.1.

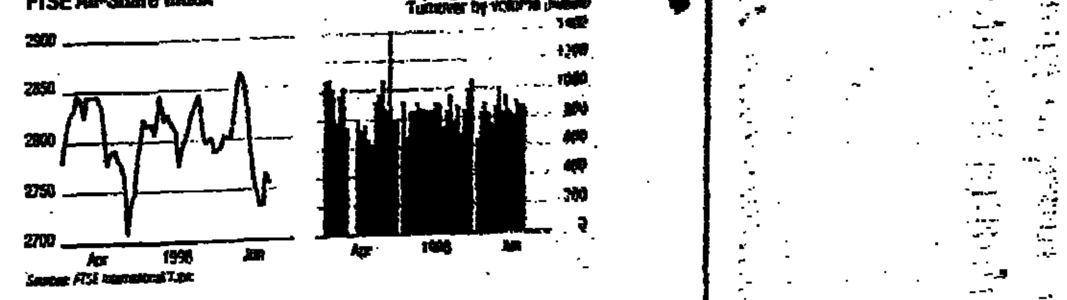
Some analysts are not convinced that the Asian-inspired rally could last long in any case.

Mark Brown, head of economics and strategy at ABN-Amro, said that "if you think what's going on in Asia is fundamentally based, then a few billion dollars of intervention won't make much difference. It is very difficult to believe that the rest of the world will be resistant to Asia's problems. The mechanism through which those problems will be transmitted is the impact on corporate earnings."

ABN-Amro is cutting its corporate earnings forecasts and now predicts no growth in non-financial earnings this year.

Volume was 881.8m shares by the 6pm count, of which 54 per cent was in non-Footsie stocks.

**FTSE All-Share index** / **Equity shares traded**



**Indices and ratios** [illegible]

**Best performing sectors** / **Worst performing sectors** [illegible]

# Green light for Orange

**COMPANIES REPORT**

By Joel Kibazo and Martin Brice

A broker's recommendation saw mobile telephones group Orange sparkle on an otherwise volatile day. The shares rose 29 or just over 6 per cent to 510p in trade of 4.7m.

The group is to hold an analysts' presentation on Tuesday at which its European strategy and plans for the UK are likely to be outlined. In particular, analysts are hoping the company will give details of plans to compete directly with fixed line telephone operators in the UK.

Merrill Lynch was behind the sharp advance yesterday, outlining the attractions of the stock ahead of the meeting. Joe Oliver at Merrill said: "We see Orange as geared to a pick-up in UK subscriber growth."

Dresdner Kleinwort Benson also favours the stock and in a recent booklet said: "Orange has an exemplary track record that testifies to the strength of its management team."

Elsewhere in the sector, rival Vodafone was also in demand. The shares appreciated 11 to 716p, with 9m traded by the close.

Telewest Communications, the UK's second biggest cable company, fell 4 to 127p after it announced the ending of merger talks with US group NTL.

However, market specialists continue to suggest further consolidation among cable operators is likely, and one analyst said, "I still believe Telewest may soon be a bid target."

Profit-takers moved into British Telecommunications following the recent run in the stock. The shares surrendered 4 to 694½p. Volume was 15m. Cable & Wireless followed the market trend, closing 2¼ lighter at 673½p.

The announcement from Micro Focus that it was to buy US software group Intersolv prompted a scramble for the stock, which was marked up 55p in pre-market trading. For a brief period in the morning, it was the best FTSE 250 performer.

However, the stock moved into reverse as it started to come under intense selling pressure as soon as the New York markets opened and US arbitrage desks realised that the terms of the all-paper offer provided the chance of a 20 per cent profit.

Shareholders will be offered Micro Focus shares worth about £12.44 at last night's close for each share in Intersolv, which were trading at the equivalent of £10.40 as London closed.

There were reports of heavy switching from Micro Focus into Intersolv, which rose 20 per cent. The switching prompted Micro Focus to suffer the biggest fall in the FTSE 250, dropping 67½ to 452½p. The beginning of the fall coincided with a telephone conference held by Micro Focus with US investors.

An information technology stock was also one of the best performers in the FTSE 250. Sema rose 31¼ to 727½p following yesterday's 3-for-1 stock split, designed to increase liquidity in the shares. The company also said that its shares would be traded in the Sets order book system from Monday.

Buyers were seen for pharmaceuticals giant Zeneca. The shares jumped 77 to £26.25 brushing aside a broker's profits downgrade, with dealers attributing yesterday's advance to fresh speculation over a possible merger with Swedish group Astra.

However, Credit Lyonnais Laing downgraded current-year profit expectations from £1.170bn to £1.1bn and believes interim profits due to be announced in early August will come in around the £655m mark.

Steven Abbott at the broker blamed the impact of exchange rates and recent negative trading information for his move. He believes the current strength of sterling is likely to lead to further profit downgrades.

Two-way business in Glaxo Wellcome saw the shares ease 6 to £17.69, while SmithKline Beecham followed the market trend, closing 4½ off at 731p.

### Builders slow

Building stocks were under pressure amid fears that operating margins had peaked and the market was set to slow in the face of the series of UK interest rate rises in the past year.

Foremost among the fallers, which dragged on the FTSE 250 index, which is heavily weighted towards construction stocks, was Bryant Group, off 6 at 122½p. Others that suffered included George Wimpey, down 6 at 128p and Beazer Group, which shed 8 to 194p.

Schroders was said to have met building companies recently and suggested that clients take profits.

Tour operator First Choice gained 15 to 167½p after the market showed its appreciation on two deals.

The company is to buy tour operator and airline group Unijet for £110m and Hayes & Jarvis for £24m.

Analyst Bruce Jones at Merrill Lynch believes the acquisitions will be earnings enhancing "in a very short time". He raised his earnings per share estimate for the year to October 1999 by 13 per cent to 12.7p and upgraded his pre-tax profits prediction for the same period by £21m to £65m.

The bigger transport stocks continued their roller-coaster rise ahead of the government's transport white paper, a significant driver of the sector's share prices. Some analysts have been telling clients the paper will have a benign effect and will encourage the use of public transport. However, others have been saying the good news is already in the price of the bigger transport stocks.

Yesterday, bullish sentiment was in the driving seat. Railtrack was one of the better performers in the Footsie, as the stock gained 45 to £13.31, while Stagecoach rose 80 to £13.80 and National Express advanced 14 to £10.46½.

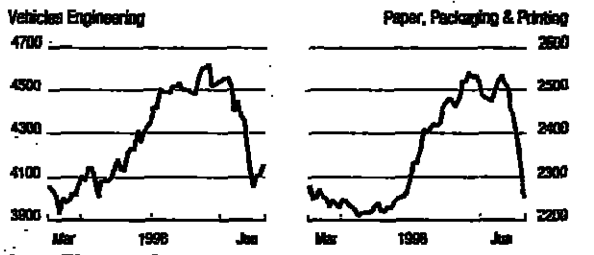
Elsewhere in the sector, car companies continued to suffer in the wake of profits warnings from Arriva and Car Group. Arriva was off 8½ at 343½p, while Car Group, at 191½p before its profit warning last week, dropped 2 to 92p.

Although Lex Service bounced slightly, rising 8 to 533p, it was still 50p below its level before the warnings wreaked havoc among stocks exposed to resale values of used cars.

The worst effects were felt yesterday by Caffyns, which was off 7½ at 345p, and Sanderson Bramall, down 10½ at 256p.

Shares in Sketchley fell 4½ to 37p after it said talks with a potential bidder had ended with no firm proposal or offer for the group.

**Best and worst performing FTSE sectors**





Source: FTSE International; Datastream/ICV

## FT 30 INDEX

| | Jun 18 | Jun 17 | Jun 16 | Jun 15 | Jun 12 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3821.2 | 3837.6 | 3782.6 | 3775.7 | 3803.4 | 3015.1 | 3920.3 | 3796.4 |
| Ord. div. yield | 2.92 | 2.90 | 2.95 | 2.95 | 2.93 | 3.65 | 4.22 | 2.79 |
| P/E ratio net | 23.61 | 23.71 | 23.32 | 23.32 | 23.52 | 18.20 | 25.41 | 15.80 |
| P/E ratio nil | 23.40 | 23.50 | 23.11 | 23.11 | 23.32 | 18.02 | 25.19 | 15.71 |

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3837.6 | 3849.5 | 3821.8 | 3816.9 | 3804.4 | 3809.0 | 3803.1 | 3812.7 | 3809.7 | 3858.3 | 3796.4 |



## STOCK MARKET TRADING DATA

| | Jun 18 | Jun 17 | Jun 16 | Jun 15 | Jun 12 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 65,082 | 68,644 | 61,273 | 68,366 | 69,134 | 44,837 |
| Equity turnover (£m)† | - | 4074.2 | 2972.6 | 2587.0 | 2659.4 | 2582.2 |
| Equity bargains† | - | 51,714 | 49,201 | 54,589 | 51,590 | 42,783 |
| Shares traded (m)† | - | 984.7 | 784.0 | 726.6 | 724.6 | 707.3 |
| Total market bargains‡ | - | 67,270 | 62,361 | 66,274 | 70,077 | - |
| Total turnover (£m)‡ | - | 5443.8 | 4135.5 | 3598.2 | 3939.7 | - |
| Total shrs traded (m)‡ | 881.8* | 1244.0 | 1066.4 | 936.7 | 985.7 | - |
| Tradepoint turnover (£m) | 43.1 | 35.3 | 24.1 | 33.4 | 28.8 | 13.6 |
| Tradepoint shrs traded | 11.4 | 10.3 | 7.935 | 7,559 | 8,787 | 6.0 |

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

**London market data**

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 751 | Total Highs | 60 | Total contracts | 45,629 |
| Total Falls | 889 | Total Lows | 88 | Calls | 19,661 |
| Same | 1,372 | | | Puts | 25,968 |

Jun 18 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

[illegible]

## LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FTSE GOLD MINES INDEX

| | Jun 17 | % chg on day | Jun 16 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 977.36 | +3.6 | 943.32 | 1512.88 | 2.37 | – | 1535.45 | 901.23 |
| **Regional Indices** | | | | | | | | |
| Africa (14) | 1014.48 | +6.6 | 951.49 | 1629.57 | 5.09 | 23.24 | 1629.57 | 921.78 |
| Australasia (7) | 1069.24 | +2.4 | 1044.40 | 1693.96 | 3.03 | 15.93 | 1694.29 | 933.63 |
| North America (10) | 962.91 | +2.7 | 937.48 | 1468.58 | 1.28 | 41.29 | 1574.16 | 864.96 |



## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Jun 18 | Day's chge% | Jun 17 | Jun 16 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5812.1 | -0.4 | 5832.7 | 5729.7 | 4653.7 | 2.85 | 2.40 | 2.02 | 21.76 | 79.80 | 2543.91 |
| FTSE 250 | 5659.2 | -0.4 | 5683.9 | 5703.5 | 4492.9 | 2.93 | 2.47 | 2.01 | 21.19 | 70.43 | 2427.21 |
| FTSE 250 ex IT | 5714.6 | -0.5 | 5742.3 | 5770.8 | 4501.1 | 3.02 | 2.55 | 2.07 | 19.99 | 72.74 | 2460.28 |
| FTSE 350 | 2816.7 | -0.4 | 2828.1 | 2790.4 | 2253.2 | 2.87 | 2.41 | 2.01 | 21.65 | 37.98 | 2520.59 |
| FTSE 350 ex IT | 2821.4 | -0.4 | 2832.0 | 2793.1 | 2252.7 | 2.88 | 2.43 | 2.03 | 21.40 | 38.24 | 1294.11 |
| FTSE 350 Higher Yield | 2723.3 | -0.4 | 2734.1 | 2690.9 | 2169.2 | 3.94 | 3.34 | 1.87 | 16.95 | 48.44 | 2081.97 |
| FTSE 350 Lower Yield | 2915.9 | -0.3 | 2926.1 | 2890.6 | 2322.9 | 2.09 | 1.74 | 2.21 | 27.03 | 29.61 | 2118.72 |
| FTSE SmallCap | 2709.13 | -0.1 | 2712.16 | 2708.61 | 2265.17 | 2.89 | 2.34 | 1.58 | 27.37 | 28.82 | 2358.04 |
| FTSE SmallCap ex IT | 2715.29 | -0.2 | 2721.48 | 2725.03 | 2248.29 | 3.06 | 2.48 | 1.64 | 24.88 | 30.21 | 2385.54 |
| FTSE All-Share | 2756.12 | -0.4 | 2765.85 | 2730.19 | 2210.20 | 2.87 | 2.41 | 1.99 | 21.93 | 36.62 | 2501.11 |
| FTSE All-Share ex IT | 2760.96 | -0.4 | 2771.09 | 2735.34 | 2209.18 | 2.89 | 2.43 | 2.00 | 21.56 | 37.04 | 1269.06 |

**FTSE Actuaries Industry Sectors**

| | Jun 18 | Day's chge% | Jun 17 | Jun 16 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 RESOURCES(22) | 4462.25 | -1.3 | 4519.85 | 4461.69 | 4427.85 | 3.41 | 2.95 | 1.72 | 21.33 | 74.28 | 3052.80 |
| 12 Extractive Industries(6) | 2813.41 | -0.2 | 2819.51 | 2679.15 | 4431.97 | 4.97 | 4.58 | 2.05 | 12.26 | 76.82 | 887.96 |
| 15 Oil, Integrated(4) | 5016.68 | -1.5 | 5094.09 | 5048.75 | 4567.18 | 3.36 | 2.87 | 1.64 | 22.66 | 79.87 | 2373.80 |
| 16 Oil Exploration & Prod(12) | 3121.88 | -0.1 | 3124.04 | 3120.71 | 3723.83 | 1.82 | 1.51 | 1.97 | 34.75 | 32.03 | 1939.55 |
| 20 GEN INDUSTRIALS(218) | 2208.98 | -0.9 | 2228.01 | 2237.72 | 1953.88 | 3.34 | 2.92 | 2.18 | 17.18 | 29.88 | 1287.51 |
| 21 Construction(36) | 1652.45 | -1.4 | 1675.51 | 1689.78 | 1398.57 | 2.94 | 2.39 | 2.85 | 16.02 | 19.87 | 1474.29 |
| [illegible] | | | | | | | | | | | |

**Hourly movements** [illegible]



FTSE INTERNATIONAL

## TRADING VOLUME

**Major Stocks yesterday.**

| | Vol 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | | | |



صكذا من الاجل



Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Jun 18 / Sch)

BELGIUM/LUXEMBOURG (Jun 18 / Frs.)

CZECH REP (Jun 18 / Koruna)

DENMARK (Jun 18 / Kr)

FINLAND (Jun 18 / Mka)

FRANCE (Jun 18 / Frs.)

GERMANY (Jun 18 / Dm.)

GREECE (Jun 18 / Drachma)

ITALY (Jun 18 / Lira)

NORWAY (Jun 18 / Kroner)

SWEDEN (Jun 18 / Kronor)



POLAND (Jun 18 / Zloty)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| BkHlby | 67 | +3 | 68 | 40 | 2.1 | — |
| Elektrim | 48.40 | +1.40 | 52.50 | 28 | 0.4 | 62.7 |
| Exbud | 42 | +3 | 49 | 28.40 | — | 36.8 |
| Mostalf | 25 | +1.20 | 34.10 | 19.20 | — | — |
| WBK | 26.20xd | +1.20 | 38.50 | 17.60 | 1.4 | 11.4 |
| Wlczmk | 14.50 | -.10 | 20.50 | 12.70 | 4.8 | 5.4 |
| Zywiec | 387 | +1 | 397 | 190 | 0.6 | — |

PORTUGAL (Jun 18 / Escudo)

SPAIN (Jun 18 / Pts.)

NETHERLANDS (Jun 18 / Fl.)

SWITZERLAND (Jun 18 / Frs.)

TURKEY (Jun 18 / Tk Lira)

## PACIFIC

JAPAN (Jun 18 / Yen)

HONG KONG (Jun 18 / H.K.$)

INDONESIA (Jun 18 / Rupiah)

MALAYSIA (Jun 18 / MYR)

NEW ZEALAND (Jun 18 / NZ $)

SINGAPORE (Jun 18 / S$)

AUSTRALIA (Jun 18 / Aust$)

SOUTH KOREA (Jun 18 / Won)

TAIWAN (Jun 18 / TW $)

THAILAND (Jun 18 / Baht)

## AMERICAS

CANADA

TORONTO (Jun 18 / Can $)

4 pm close

MONTREAL (Jun 18 / Can $)

4 pm close

MEXICO (Jun 18 / Peso)

12:30 pm

## AFRICA

SOUTH AFRICA (Jun 18 / Rand)

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY JUNE 17 1998 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY JUNE 16 1998 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (72) | 179.58 | 3.8 | 160.49 | 156.85 | 167.11 | 196.69 | 1.1 | 4.03 | 173.27 | 155.39 | 157.95 | 161.98 | 194.59 | 243.87 | 173.27 | 237.11 |
| Austria (23) | 230.84 | 0.9 | 206.30 | 201.62 | 214.82 | 214.68 | 0.5 | 1.58 | 228.72 | 205.12 | 208.50 | 213.80 | 213.66 | 253.73 | 181.60 | 193.89 |
| Belgium (25) | 363.77 | 2.0 | 325.10 | 317.73 | 338.52 | 331.25 | 1.5 | 2.09 | 356.68 | 319.87 | 325.15 | 333.41 | 326.32 | 364.43 | 234.33 | 251.30 |
| Brazil (26) | 216.71 | 6.2 | 193.67 | 189.28 | 201.67 | 460.88 | 6.3 | 2.22 | 209.96 | 182.91 | 185.93 | 190.65 | 433.43 | 322.44 | 184.94 | 291.77 |
| Canada (120) | 227.55 | 0.8 | 203.37 | 198.76 | 211.78 | 241.38 | 0.5 | 1.66 | 225.77 | 202.47 | 205.81 | 211.04 | 240.29 | 248.78 | 199.10 | 211.19 |
| Denmark (34) | 510.97 | 2.1 | 458.65 | 448.31 | 475.51 | 473.89 | 1.7 | 1.35 | 500.26 | 448.64 | 456.04 | 467.62 | 465.97 | 521.81 | 375.32 | 387.06 |
| Finland (28) | 416.20 | 3.8 | 371.96 | 383.53 | 387.32 | 475.09 | 3.3 | 1.92 | 401.14 | 359.75 | 365.68 | 374.97 | 459.95 | 451.12 | 267.59 | 273.14 |
| France (78) | 322.41 | 2.4 | 288.14 | 281.61 | 300.03 | 303.55 | 1.9 | 1.94 | 314.88 | 282.39 | 287.04 | 294.33 | 297.79 | 335.75 | 217.48 | 224.75 |
| Germany (58) | 298.67 | 2.4 | 266.92 | 260.87 | 277.94 | 277.94 | 1.9 | 1.20 | 291.64 | 261.55 | 265.86 | 272.61 | 272.61 | 307.24 | 204.89 | 215.71 |
| Greece (37) | 280.72 | 2.8 | 250.88 | 245.19 | 261.24 | 611.48 | 2.1 | 1.51 | 273.01 | 244.84 | 248.88 | 255.20 | 598.98 | 307.94 | 260.24 | – |
| Hong Kong, China (66) | 233.69 | 5.8 | 208.85 | 204.12 | 217.47 | 232.22 | 5.8 | 6.79 | 220.89 | 198.10 | 201.37 | 208.48 | 219.60 | 580.03 | 218.78 | 502.06 |
| Indonesia (27) | 23.58 | -5.3 | 21.07 | 20.60 | 21.95 | 242.24 | 4.3 | 2.89 | 24.90 | 22.33 | 22.70 | 23.28 | 232.18 | 254.90 | 23.58 | 245.04 |
| Ireland (16) | 510.95 | 0.0 | 456.64 | 446.29 | 475.49 | 511.36 | -0.5 | 1.90 | 511.01 | 458.28 | 465.84 | 477.67 | 513.96 | 560.44 | 348.43 | 350.93 |
| Italy (54) | 164.91 | 3.6 | 147.38 | 144.04 | 153.46 | 216.86 | 3.0 | 1.29 | 159.16 | 142.73 | 145.09 | 148.77 | 210.49 | 177.15 | 91.89 | 91.89 |
| Japan (480) | 87.10 | 4.3 | 77.84 | 76.07 | 81.05 | 76.07 | -0.1 | 1.04 | 83.52 | 74.90 | 78.13 | 78.07 | 78.13 | 141.12 | 83.04 | 139.00 |
| Malaysia (106) | 124.00 | 6.5 | 110.82 | 108.31 | 115.40 | 187.70 | 3.2 | 3.39 | 116.47 | 104.45 | 106.18 | 108.87 | 181.80 | 527.08 | 113.56 | 520.20 |
| Mexico (29) | 1389.93 | 5.6 | 1242.18 | 1214.04 | 1293.46 | 13509.93 | 4.8 | 1.99 | 1315.88 | 1180.08 | 1199.54 | 1230.01 | 12890.73 | 1901.96 | 1278.19 | 1525.21 |
| Netherlands (19) | 510.13 | 1.5 | 455.91 | 445.58 | 474.73 | 469.85 | 1.0 | 1.97 | 502.77 | 450.89 | 458.32 | 469.97 | 465.14 | 532.74 | 385.56 | 391.29 |
| New Zealand (14) | 80.09 | 8.7 | 53.70 | 52.48 | 55.92 | 61.66 | 2.4 | 4.94 | 56.33 | 50.51 | 51.35 | 52.65 | 60.20 | 98.47 | 56.33 | 91.20 |
| Norway (38) | 298.78 | 1.0 | 287.02 | 260.97 | 278.05 | 307.67 | -0.2 | 2.03 | 295.94 | 265.40 | 269.78 | 278.63 | 306.91 | 374.64 | 281.62 | 307.77 |
| Philippines (22) | 71.96 | 1.6 | 64.31 | 62.85 | 66.96 | 146.67 | -0.7 | 1.42 | 70.85 | 63.54 | 64.59 | 66.23 | 147.77 | 172.36 | 57.54 | 187.58 |
| Portugal (18) | 272.84 | 1.8 | 243.65 | 238.14 | 253.72 | 342.02 | 1.5 | 1.12 | 267.71 | 240.08 | 244.04 | 250.24 | 337.05 | 299.39 | 285.70 | – |
| Singapore (42) | 146.27 | 9.3 | 130.72 | 127.78 | 136.12 | 112.70 | 5.1 | 2.70 | 133.81 | 120.00 | 121.98 | 125.08 | 107.26 | 401.75 | 139.81 | 385.39 |
| South Africa (42) | 248.44 | 5.8 | 222.03 | 217.00 | 231.19 | 289.91 | 5.2 | 2.98 | 234.75 | 210.52 | 213.89 | 219.43 | 275.45 | 364.24 | 227.66 | 354.90 |
| Spain (31) | 376.51 | 2.8 | 336.49 | 328.87 | 350.38 | 433.13 | 2.3 | 1.77 | 366.14 | 328.36 | 333.77 | 342.25 | 423.27 | 398.54 | 236.28 | 252.51 |
| Sweden (49) | 576.89 | 3.4 | 515.65 | 503.97 | 536.94 | 679.95 | 2.9 | 1.72 | 557.79 | 500.23 | 508.48 | 521.40 | 664.39 | 615.21 | 439.98 | 464.95 |
| Switzerland (30) | 397.71 | 2.5 | 355.43 | 347.38 | 370.11 | 357.87 | 2.1 | 1.12 | 388.21 | 348.15 | 353.89 | 362.88 | 360.37 | 414.95 | 285.85 | 298.03 |
| Thailand (38) | 14.14 | 11.4 | 12.64 | 12.35 | 13.16 | 22.56 | 6.0 | 11.91 | 12.69 | 11.38 | 11.57 | 11.86 | 21.29 | 69.09 | 12.69 | 50.98 |
| United Kingdom (205) | 380.64 | 1.9 | 340.18 | 332.47 | 354.22 | 340.18 | 1.6 | 2.91 | 373.47 | 334.83 | 340.46 | 349.10 | 334.93 | 401.84 | 300.08 | 302.58 |
| USA (631) | 451.95 | 1.7 | 403.91 | 394.78 | 420.59 | 451.95 | 1.7 | 1.42 | 444.27 | 368.42 | 404.99 | 415.28 | 444.27 | 462.18 | 356.22 | 362.03 |
| Americas (806) | 407.29 | 1.8 | 363.99 | 355.74 | 379.02 | 344.51 | 1.7 | 1.44 | 400.25 | 358.95 | 364.87 | 374.14 | 338.62 | 418.95 | 326.02 | 331.13 |
| Europe (743) | 357.50 | 2.3 | 319.49 | 312.26 | 332.69 | 337.97 | 1.8 | 2.00 | 349.52 | 313.46 | 318.62 | 326.72 | 331.91 | 368.89 | 265.25 | 265.25 |
| Eurobloc (350) | 103.31 | 2.4 | 103.78 | 107.29 | 103.93 | 103.92 | 1.9 | 1.64 | 100.89 | 101.88 | 109.38 | 101.95 | 101.97 | 106.58 | 99.54 | – |
| Nordic (149) | 504.28 | 3.1 | 450.68 | 440.47 | 469.28 | 517.42 | 2.2 | 1.72 | 499.19 | 438.71 | 445.94 | 457.27 | 506.10 | 536.56 | 388.51 | 397.76 |
| Pacific Basin (867) | 92.73 | 4.4 | 82.87 | 80.99 | 86.29 | 81.56 | 0.6 | 1.82 | 88.79 | 79.63 | 80.94 | 82.99 | 81.07 | 158.99 | 88.45 | 156.20 |
| Euro-Pacific (1610) | 203.09 | 2.9 | 181.50 | 177.39 | 188.99 | 178.45 | 1.5 | 1.96 | 197.47 | 177.08 | 180.01 | 184.58 | 175.80 | 218.04 | 172.03 | 201.71 |
| North America (751) | 437.41 | 1.7 | 390.91 | 382.05 | 407.05 | 437.71 | 1.7 | 1.43 | 430.14 | 385.75 | 392.11 | 402.07 | 430.49 | 448.61 | 347.02 | 352.71 |
| Europe Ex. UK (538) | 333.99 | 2.5 | 298.49 | 291.73 | 310.81 | 328.37 | 1.9 | 1.56 | 325.98 | 292.34 | 297.16 | 304.71 | 320.11 | 346.53 | 236.79 | 239.07 |
| Europe Ex. Eurobloc (393) | 97.71 | 2.2 | 98.13 | 101.48 | 98.30 | 98.34 | 1.7 | 2.38 | 95.64 | 96.39 | 103.67 | 96.65 | 96.87 | 100.97 | 94.53 | – |
| Europe Ex. UK Ex. Eurobloc (188) | 99.52 | 2.8 | 99.95 | 103.35 | 100.12 | 100.55 | 2.1 | 1.34 | 96.85 | 97.71 | 105.09 | 97.97 | 96.53 | 104.20 | 95.88 | – |
| Pacific Ex. Japan (387) | 150.21 | 5.0 | 134.25 | 131.21 | 139.79 | 157.38 | 3.3 | 4.97 | 142.95 | 128.24 | 130.35 | 133.66 | 152.35 | 318.98 | 142.99 | 306.82 |
| World Ex. Eurobloc (2108) | 96.23 | 2.2 | 86.00 | 84.05 | 89.55 | 97.06 | 1.6 | 1.69 | 94.13 | 84.41 | 85.81 | 87.99 | 95.55 | 100.18 | 93.25 | – |
| World Ex. US (1827) | 205.55 | 2.8 | 183.70 | 179.54 | 191.29 | 184.71 | 1.6 | 1.96 | 199.89 | 179.26 | 182.22 | 188.85 | 181.86 | 220.18 | 175.30 | 205.37 |
| World Ex. UK (2253) | 278.02 | 2.3 | 248.68 | 241.09 | 256.86 | 254.17 | 1.7 | 1.33 | 269.82 | 241.98 | 245.97 | 252.21 | 250.01 | 287.02 | 234.24 | 250.70 |
| World Ex. Japan (1978) | 382.96 | 2.0 | 342.25 | 334.60 | 356.38 | 377.24 | 1.8 | 1.75 | 375.26 | 336.54 | 342.09 | 350.78 | 370.47 | 394.39 | 309.33 | 315.04 |
| The World Index (2458) | 264.87 | 2.3 | 254.59 | 248.82 | 265.10 | 261.96 | 1.8 | 1.68 | 278.58 | 249.83 | 253.95 | 260.40 | 257.70 | 296.57 | 241.30 | 255.20 |



## Emerging markets: IFC investable indices

Dollar terms

| Jun 17 Market | | Day's chg % | % Chg since 31/12/97 |
|---|---|---|---|
| Latin America | | | |
| Argentina | 925.68 | +5.9 | -17.0 |
| Brazil | 426.69 | +6.1 | -11.6 |
| Chile | 528.30 | +1.5 | -18.6 |
| Colombia[1] | 483.87 | -2.6 | -41.4 |
| Mexico | 604.86 | +5.1 | -23.3 |
| Peru[2] | 201.25 | +2.9 | -8.1 |
| Venezuela[3] | 487.68 | +2.6 | -45.6 |
| East Asia | | | |
| China[4] | 35.38 | +4.6 | -38.0 |
| Korea[5] | 23.81 | +10.0 | -0.9 |
| Philippines | 102.12 | +1.3 | -9.4 |
| Taiwan, China[6] | 114.43 | +0.5 | -18.9 |
| South Asia | | | |
| India[7] | 71.78 | +7.5 | -13.9 |
| Indonesia[8] | 10.66 | -4.1 | -68.3 |
| Malaysia | 89.33 | +8.3 | -23.9 |
| Pakistan[9] | 127.89 | +0.9 | -48.5 |
| Sri Lanka[10] | 93.00 | -4.1 | -20.1 |
| Thailand | 40.93 | +12.1 | -13.0 |
| Europe/Mideast/Africa | | | |
| Czech Rep | 49.02 | +1.1 | -10.4 |
| Egypt | 77.87 | -0.2 | -16.5 |
| Greece | 511.44 | +2.8 | +57.9 |
| Hungary[11] | 905.12 | +3.0 | -3.1 |
| Israel | 128.78 | +0.7 | +4.2 |
| Jordan | 218.03 | -0.4 | +3.7 |
| Morocco | 168.60 | +0.8 | +27.9 |
| Poland[12] | 690.93 | +4.3 | +15.8 |
| Portugal | 302.76 | +2.0 | +43.4 |
| Russia | 67.88 | -0.2 | -54.4 |
| S Africa[13] | 180.79 | +6.3 | +0.6 |
| Slovakia | 58.68 | -0.4 | -42.8 |
| Turkey[14] | 273.75 | +3.9 | -12.3 |
| Zimbabwe[15] | 240.75 | -0.8 | -4.3 |
| Regions | | | |
| Composite | 212.08 | +4.0 | -13.8 |
| Latin America | 547.98 | +4.8 | -19.1 |
| Asia | 82.90 | +4.2 | -23.1 |
| EMEA | 146.64 | +3.2 | -0.7 |
| Europe | 182.65 | +2.5 | -3.1 |
| Easter Europe | 92.30 | +1.7 | -34.3 |
| ME & Africa | 72.80 | +3.9 | +1.8 |

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Exel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are last traded prices. ∞ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

● FT Free Annual Reports Club

4 pm close June 18

# NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

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- J -

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- L -

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- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -



Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Jun 17 | Jun 16 | Jun 15 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 8829.46 | 8665.29 | 8627.93 | 9211.84 (13/5) | 7580.42 (9/1) | 9211.84 (13/5/98) | 41.22 (8/7/32) |
| Home Bonds | 104.95 | 105.16 | 104.85 | 105.48 (15/1) | 104.42 (11/5) | 105.48 (15/1/98) | 54.99 (1/10/81) |
| Transport | 3373.13 | 3360.16 | 3338.62 | 3686.02 (16/4) | 3194.38 (9/1) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 290.72 | 290.89 | 292.01 | 293.79 (11/6) | 262.66 (9/1) | 293.79 (11/6/98) | 10.53 (8/7/32) |

DJ Ind. Day's high 8932.34 (8751.24) Low 8685.43 (8624.55) (Theoretical‡)
Day's high 8892.49 (8875.51) Low 8685.73 (8588.86) (Actual‡)

| Standard and Poors | Jun 17 | Jun 16 | Jun 15 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1107.11 | 1087.59 | 1077.01 | 1138.54 (22/4) | 927.69 (9/1) | 1138.54 (22/4/98) | 4.40 (1/6/32) |
| Industrials¶ | 1291.38 | 1270.09 | 1254.06 | 1311.48 (22/4) | 1077.40 (9/1) | 1311.48 (22/4/98) | 3.52 (30/6/32) |
| Financial¶ | 133.13 | 129.81 | 129.86 | 148.83 (14/4) | 110.85 (9/1) | 148.83 (14/4/98) | 7.13 (4/9/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 568.65 | 558.92 | 554.89 | 585.62 (22/4) | 487.47 (9/1) | 585.62 (22/4/98) | 4.64 (25/4/42) |
| Amex Comp | 685.27 | 688.66 | 683.88 | 763.67 (22/4) | 646.41 (12/1) | 763.67 (22/4/98) | 524.20 (15/7/96) |
| NASDAQ Cmp | 1776.40 | 1753.12 | 1715.75 | 1917.81 (22/4) | 1583.22 (9/1) | 1917.61 (22/4/98) | 54.87 (3/10/74) |
| Russell 2000 | 444.06 | 439.37 | 433.86 | 491.41 (21/4) | 410.89 (12/1) | 491.41 (21/4/98) | 123.36 (7/12/93) |

### ■ RATIOS

| | Jun 12 | Jun 5 | May 29 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.61 | 1.58 | 1.60 | 1.84 |
| | Jun 17 | Jun 10 | Jun 3 | Year ago |
| S & P Ind. Div. yield | 1.32 | 1.32 | 1.35 | 1.59 |
| S & P Ind. P/E ratio | 30.97 | 31.02 | 30.20 | 24.27 |

## US DATA

### ■ MARKET ACTIVITY

| ● Volume (million) | Jun 17 | Jun 16 | Jun 15 |
|---|---|---|---|
| NYSE | 744.400 | 664.570 | 596.820 |
| Amex | 36.752 | 26.519 | 28.576 |
| NASDAQ | 840.752 | 686.188 | 638.039 |

| NYSE | Jun 17 | Jun 16 | Jun 15 |
|---|---|---|---|
| Issues Traded | 3,536 | 3,529 | 3,521 |
| Rises | 2,177 | 1,849 | 723 |
| Falls | 885 | 1,151 | 2,373 |
| Unchanged | 474 | 525 | 425 |
| New Highs | 58 | 38 | 47 |
| New Lows | 89 | 177 | 702 |

### ■ NYSE TRADING ACTIVITY

Volume : 744,408,088

■ ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Compaq | 12,028,500 | 28 | −⅛ |
| Cendant | 11,167,800 | 18⅝ | −⅞ |
| PhilMorr | 8,810,800 | 38¼ | +1¾ |
| Telebras | 8,324,000 | 111¾ | +5¾ |
| HewPac | 5,763,100 | 58½ | −⅞ |
| AmOnLine | 5,440,000 | 93⅞ | +6¼ |
| GenElec | 5,106,900 | 87⅛ | +2⅛ |
| IBM | 4,996,300 | 110⅞ | +⅞ |
| Sealed Air | 4,332,200 | 40⅛ | −6¾ |
| BayNtwks | 4,238,208 | 38⅛ | −⅛ |

■ BIGGEST MOVERS

| Wednesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Takeda Fd | 13⅛ | +1⅝ | +13.2 |
| Unova | 22⅝ | +2 | +9.6 |
| Kyocera CP | 93 | +8 | +9.4 |
| CKE | 38⅝ | +3⅜ | +9.2 |
| **Downs** | | | |
| Sealed Air | 40⅛ | −6¾ | −13.6 |
| BrwnSh | 11⅛ | −⅞ | −7.2 |
| Teradyne | 25⅛ | −1¾ | −6.4 |
| ArrwEl | 22 | −1⅜ | −5.6 |

### ■ NASDAQ TRADING ACTIVITY

Volume 840,752,608

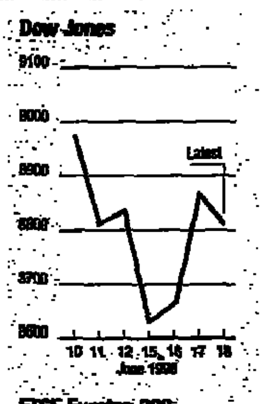
■ ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Micsft | 18,753,300 | 91⅛ | +1⅛ |
| WrldCm | 17,280,000 | 45⅞ | +1⅞ |
| Intel | 17,134,000 | 69¾ | −⅛ |
| DellComp | 16,783,000 | 85⅞ | +¾ |
| Oracle | 10,503,800 | 24⅛ | +⅛ |
| CiscoSys | 10,083,400 | 80⅞ | +¾ |
| Novell | 9,911,800 | 12⅝ | −⅜ |
| ApplMat | 9,482,500 | 27⅝ | −1⅛ |
| MCI Cm | 9,409,600 | 54⅝ | +3⅛ |
| 3Com | 8,851,500 | 24⅝ | −⅞ |

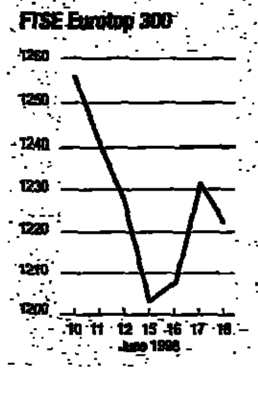
■ BIGGEST MOVERS

| Wednesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| SanchezComp | 18⅞ | +3⅞ | +29.7 |
| Daigene | 13⅛ | +2⅞ | +25.6 |
| CNET | 59 | +10⅞ | +23.1 |
| RainsCho | 31½ | +5⅜ | +20.9 |
| **Downs** | | | |
| 3DFX | 18 | −3⅝ | −16.5 |
| UtdUSAHld | 11½ | −1⅞ | −14.0 |
| Mycogn | 21 | −3⅛ | −12.7 |
| P-Com | 10⅝ | −1⅜ | −11.5 |

Dow Jones




FTSE Eurotop 300




## JAPAN

| | Jun 18 | Jun 17 | Jun 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | 15361.54 | 14715.38 | 14720.38 | 17264.34 | 14664.44 | 38915.9 | 85.25 |

Day's high: 15398.20. Day's low: 14825.17.

### ■ TOKYO TRADING ACTIVITY

Volume : 701,080,080

■ ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| LTCB | 60,571,000 | 128 | +3 |
| Np Steel Cp | 28,298,000 | 237 | +15 |
| Nikko Secs | 16,003,000 | 610 | +53 |
| Sakura Bk | 15,476,000 | 412 | +53 |
| Sumo Mtl Ind | 12,236,000 | 217 | +7 |
| Np Credit Bk | 11,081,008 | 125 | |
| Kawasaki Steel | 10,885,000 | 226 | +9 |
| Bk Tk-Mitsbsi | 10,739,000 | 1430 | +200 |
| NKK Cp | 10,619,000 | 127 | +6 |
| Mitsui T & B | 9,197,000 | 338 | +53 |

■ BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Chugokugin | 194 | +50 | +34.7 |
| Np Kasei Chm | 238 | +50 | +26.6 |
| Itochu Cp | 295 | +65 | +22.9 |
| Mitsbsi T & B | 1180 | +190 | +19 |
| Fuji Bk | 636 | +100 | +18.7 |
| Mitsui T & B | 338 | +53 | +18.6 |
| Fuji & Co | 165 | +25 | +17.9 |
| **Downs** | | | |
| Ishihara Sels | 333 | −27 | −7.5 |

## FRANCE

| | Jun 18 | Jun 17 | Jun 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 4052.27 | 4092.92 | 4013.29 | 4208.58 | 2862.54 | 4208.6 | 984.61 |

Day's high: 4136.33. Day's low: 4046.38.

### ■ PARIS TRADING ACTIVITY

Volume : 587,531,780

■ ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Axa-UAP | 1,280,385 | 654 | −1 |
| Med Lillas | 1,111,127 | 40 | −0.1 |
| France Tel | 1,100,541 | 392 | −9.1 |
| Alcatel Alst | 970,810 | 1178 | −14 |
| Rho Pouc A | 965,279 | 324.7 | −5.2 |
| Bq Nat Paris | 787,021 | 485.5 | +4 |
| Paribas | 685,820 | 605 | +10 |
| Elf Aquitaine | 659,276 | 777 | −7 |
| Suez Lyonn | 621,582 | 998 | +6 |
| Vivendi | 585,168 | 1260 | −18 |

■ BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Dynaco | 180 | +24 | +15.4 |
| Frankoparis | 97 | +9 | +10.2 |
| Sp Recyclage | 770 | +69 | +9.8 |
| Georges | 19.9 | +1.7 | +9.4 |
| **Downs** | | | |
| Bq Petrofigaz | 22.1 | −7.9 | −26.3 |
| Bq Nat Paris | 1272 | −135 | −9.6 |
| Maurel et Cie | 911 | −89 | −8.9 |
| Louis Vuitton | 1961 | −183 | −8.5 |

## GERMANY

| | Jun 18 | Jun 17 | Jun 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 5718.06 | 5708.38 | 5581.57 | 5779.89 | 4087.28 | 5779.08 | 931 18 |

Day's high: 5765.88. Day's low: 5597.28.

### ■ FRANKFURT TRADING ACTIVITY

Volume : 18,579,480

■ ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Deutsche Tel | 878,962 | 48.7 | +1.85 |
| Lufthansa | 676,618 | 47.5 | +0.4 |
| Daimler-Benz | 610,184 | 189.8 | −2.7 |
| Hoechst | 588,429 | 85.37 | +2.82 |
| Comerzbk | 539,940 | 69.5 | −0.7 |
| BASF | 474,707 | 82.15 | +0.8 |
| RWE | 388,020 | 103.5 | +1.55 |
| Siemens | 350,122 | 118.75 | −0.25 |
| Deutsche Bk | 283,585 | 149.9 | +3 |
| Continental | 258,582 | 54.7 | −2.4 |

■ BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Wayss & Fr | 130 | +17 | +15 |
| Schneider Re | 240 | +20 | +9.1 |
| Beiersdrf ABC | 119 | +7 | +6.3 |
| Babcock-BSH | 113 | +6 | +5.6 |
| **Downs** | | | |
| Alcatel Alst | 290 1 | −34.9 | −10.7 |
| Kogel Fhr Pr | 336 | −18 | −5.1 |
| Lahmeyer | 85.5 | −4.5 | −5 |
| Mueschellek | 855 | −45 | −5 |

## UK

| | Jun 18 | Jun 17 | Jun 16 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 5812.1 | 5832.7 | 5729.7 | 6106.80 | 5068.80 | 6106.8 | 986.9 |

Day's high: 5871.4 Day's low: 5789.0.

### ■ LONDON TRADING ACTIVITY

Volume : 881,800,000

■ ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Shell | 31,231,610 | 415 | −5 |
| Dana Pet | 28,197,430 | 17¼ | |
| Thomson Trvl | 19,118,930 | 183 | +9½* |
| BT | 15,812,900 | 694½ | −4 |
| Airtours | 14,809,740 | 611 | −21 |
| BG | 10,757,680 | 331 | +2 |
| Marks & Sp | 9,827,668 | 580 | |
| BAT Inds | 9,515,628 | 580 | +9 |
| Lloyds | 9,167,407 | 846½ | −19½ |
| Vodafone | 9,017,922 | 718 | +11 |

■ BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Tepnel Life | 36½ | +7 | +23.7 |
| VI | 54½ | +10 | +22.5 |
| Stagecoach | 1380 | +80 | +6.2 |
| **Downs** | | | |
| Lowe (Robert) | 15½ | −5½ | −26.5 |
| Atomeocan | 10½ | −3½ | −23.6 |
| Dragon Oil | 37½ | −7½ | −16.7 |
| Ten | 147½ | −23 | −13.5 |
| Micro Focus | 452½ | −67½ | −13 |

## INDEX FUTURES

| ■ S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1108.00 | 1111.00 | +23.00 | 1108.00 | 1106.50 | 53,280 | 108,375 |
| Sep | 1122.00 | 1122.50 | +23.00 | 1119.90 | 1117.50 | 214,626 | 332,592 |
| ■ Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
| Sep | 15500.0 | 15450.0 | +650.0 | 15500.0 | 15280.0 | 36,853 | 189,840 |
| Dec | 15340.0 | 15300.0 | – | 15390.0 | 15280.0 | 1,538 | 6,043 |

| ■ CAC-40 (200 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 4125.0 | 4062.0 | +51.5 | 4090.0 | 4051.5 | 14,084 | 51,155 |
| Jul | 4131.0 | 4067.5 | +52.0 | 4090.0 | 4058.0 | 428 | 4,339 |
| ■ DAX | | | | | | | |
| Jun | 5799.0 | 5693.0 | −48.0 | 5814.0 | 5681.0 | 33,440 | 85,782 |
| Sep | 5850.0 | 5740.0 | −51.0 | 5865.0 | 5728.0 | 21,714 | 57,981 |

| ■ OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 765.00 | 743.00 | −18.00 | 767.00 | 741.00 | 25,309 | 83,918 |
| Jul | 766.00 | 746.00 | −18.00 | 769.00 | 744.00 | 15,554 | 40,631 |
| ■ SOFFEX | | | | | | | |
| Jun | 7600.0 | 7489.0 | −84.1 | 7618.5 | 7471.5 | 8,651 | 12,594 |
| Jul | 7590.0 | 7493.0 | −83.0 | 7621.0 | 7475.0 | 4,990 | 19,120 |

Open interest figures for previous day.

## WORLD MARKETS AT A GLANCE

# THE NASDAQ STOCK MARKET

4 pm close June 18

# THE NASDAQ STOCK MARKET

# AMEX PRICES

4 pm close June 18

# EASDAQ

# STOCK MARKETS

## Asian gains fail to ignite cautious Europe

**WORLD OVERVIEW**

Another dazzling turn of speed across Asia, where many stock markets notched up two-day percentage gains well into double figures, cut *no ice with investors in* Europe yesterday, *writes Jeffrey Brown.*

Early hesitancy for European equities quickly turned to a scramble for the exits as grim words from the Bundesbank overshadowed the latest official Japanese attempt to restore investor confidence in the yen.

In a statement ahead of the weekend meeting in Tokyo of G7 deputy finance ministers, Japan's prime minister announced plans *for potential tax cuts*, measures on bad bank loans and moves to rekindle domestic demand.

But the plans were vague. The absence of timing and detail left international stock markets once again taking matters on trust, although many observers were hopeful of a fresh policy statement from Japan at the weekend.

In the meantime, stock markets outside Asia opted for caution given the widespread *interpretation* that the German central bank was dropping a broad hint about higher interest rates in its latest report.

The Bundesbank's strictures about the need to match monetary policy with the pace of economic growth coincided with mounting concerns for an upward nudge for interest rates elsewhere in Europe, notably in the UK following this week's run of negative economic data.

*By the close of trading*, the leading centres of Frankfurt and Paris were both off around 1 per cent, having in each case turned back from record intraday highs. Trading volumes were mostly subdued.

The yen was steady at around the Y137 to the dollar mark achieved after Wednesday's concerted US and Japanese intervention in the foreign exchanges. But Wall Street, which had surged 163 points in the previous session, made an uncertain start.

There is no shortage of prevailing caution among the broking community. BT Alex Brown's latest pan-European strategy note makes the point that Japanese and European economic downturns have typically coincided.

Right now, writes the broker, Europe is basking in the belief that earnings growth will top 14 per cent on average this year and next, but "deflationary worries *may* expose the current complacency about demanding p/e multiples".

As a result, BT Alex Brown's main message is that it is still too soon to commit new capital to European equities.

## Dow dips as shares take a breather

**AMERICAS**

Share prices lost ground on Wall Street in early trading as the market took a breather after the strong gains of the day before, *writes Richard Waters in New York.*

By lunchtime, the Dow Jones Industrial Average had slipped 24.17 to 8,805.29, giving up part of the near-165 point advance that followed Wednesday's surprise intervention to support the Japanese yen.

The performance reflected a similar about-turn in the bond market, which had fallen sharply on Wednesday's news but rebounded yesterday morning, with long-dated Treasuries gaining half a point.

Other leading stock market indices also edged lower, with the S&P 500 losing 2.37 or 0.21 per cent to trade at 1,104.74 and the Nasdaq composite dropping 2.93 or 0.16 per cent to 1,773.47.

Among stocks in the Dow, IBM and Hewlett-Packard registered the biggest percentage declines, reflecting the reversal after this week's powerful rally in the technology sector. IBM lost $2⅞ or 2.54 per cent to trade at $107¼, while Hewlett-Packard fell $1¼ or 2.14 per cent to $57¼.

These losses were partly offset by strong advances in two other Dow stocks: Philip Morris, which rose $1⅛ or 3.41 per cent, to $39¾ on news that the Senate had abandoned plans for tobacco legislation, and McDonald's, which climbed $2 or 3.06 per cent to $67⅞, close to a year high, on continuing hopes for a rebound in the company's domestic operations.

Among the most actively traded stocks, America Online rose another $2¾ to $96½, in spite of comments from two top executives that they planned to keep the company independent. The Financial Times reported earlier this week that AOL had been the subject of a bid approach from AT&T, though it had rebuffed the approach.

Infoseek, an internet company, saw its stock rise $3⅞ to 37½ on news that Walt Disney had taken a large stake in the company. Arco Chemical's shares rose $5½ to $56⅛ after a report that it was in talks about a sale to Lyondell Petrochemical.

**TORONTO** reversed Wednesday's impressive gains, with a renewed shake-out for the telecoms equipment sector helping to depress sentiment. At noon the 300 composite index was off 45.28 at 7,149.80.

Northern Telecom fell C$1.20 to C$75.60 and BCE gave up C$1.05 at C$60.30. Banks were also dull. Canadian Imperial shed 30 cents to C$46.65 and Royal Bank of Canada came off 20 cents to C$86.60.

## São Paulo falls away

**SAO PAULO** moved steeply lower in early trading as investors fretted about a setback to pensions reforms.

Brokers said Wednesday's parliamentary approval of an amendment taking the cost-cutting bite out of the social security reform bill cast a shadow.

Among blue chips, Telebrás, 7.3 per cent higher on Wednesday, fell back 1.3 per cent to R$126.80.

At midsession, the Bovespa index had lost 138 or 1.4 per cent at 9,759.

**CARACAS** tracked softening oil prices. The benchmark IBC index was 130.80 or 2.5 per cent lower at 5,017.79 at midsession.

## Region soars on yen support

**ASIA PACIFIC**

Asian equities staged another strong rally, with **TOKYO** setting a fast pace in the wake of Wednesday's joint US and Japanese intervention in support of the yen. The Nikkei 225 Average ended 646.16 higher at 15,361.54.

The benchmark was only just short of its 15,398.20 trading high at the close as hopes for more concerted action to lift Japan out of economic recession gained ground among investors. The low for the day was 14,825.17.

The dollar, which rose to an eight-year high of 146 to the yen earlier this week, was trading at around 137 in Asia yesterday and this put fresh heart into the hard-pressed financial sectors.

**THE DAY'S CHANGES**

| | % Change |
|---|---|
| Bangkok | +8.1 |
| Seoul | +7.1 |
| Manila | +6.6 |
| Hong Kong | +6.4 |
| Jakarta | +4.9 |
| Kuala Lumpur | +4.6 |
| Tokyo | +4.4 |
| Taipei | +4.0 |
| Sydney | +2.3 |
| Singapore | +2.3 |
| Wellington | +1.6 |
| Bombay | -3.2 |

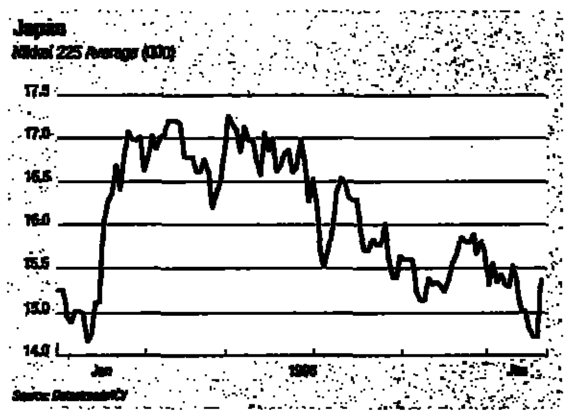
Banks were among the best performers. Bank of Tokyo-Mitsubishi and Fuji Bank both rose by their daily limit, adding Y200 to Y1,430 and Y100 to Y636 respectively.

Long-Term Credit Bank, battered lately by rumours of an imminent collapse, rallied Y3 to Y126.

First-section volume jumped to 701m shares from 404m on Wednesday, with rising stocks outpacing fallers by better than 8 to 1. The Topix index of all first-section stocks rose 42 to 1,198.84.

**BANGKOK** led the day's performance charts in Asia in spite of some profit-taking late in the session that clipped the SET index back from its session high of 304.65.

The benchmark ended up 22.21 at 295.15 in improving turnover of Bt4.3bn. Thai Farmers Bank was the most active stock, adding Bt0.50 at Bt42. Bangkok Bank gained Bt1.50 to Bt53.50 after hitting a high of Bt64.




**SEOUL** soared, bolstered by hopes that the announcement of a "hit list" of 55 non-viable companies indicated that the country's corporate restructuring was on track.

The composite index ended 21.68 higher at 325.49, off an intraday peak of 330.14.

Foreign demand sent many Samsung Group shares soaring on hopes that the group may give up its money-losing motorcar venture. Samsung Electronics rose Won5,100 to its daily limit high of Won47,750.

**MANILA** reversed a seven-day losing streak with a rise of 112.41 to 1,828.59 on the composite index. It was the steepest single-session gain since the second week of February, but dealers were quick to describe the upturn as a technical bounce. "We are simply catching up with the rest of Asia," said one trader.

Property was the prime motivation. The sector index jumped 10.2 per cent, with Ayala Land gaining 1.25 pesos to 12.25 pesos.

**HONG KONG** raced ahead as lower interbank rates and a round of short-covering added fuel to the rally. The Hang Seng index closed 511.62 higher at 8,515.97, off a peak of 8,644.14.

China-related stocks did even better as the stronger yen eased fears of a devaluation of the renminbi. The China Affiliated Corporations index surged 11.2 per cent and H shares picked up 9.9 per cent. Among index heavyweights, HSBC rose HK$6.50 to HK$187.50 and Hutchison gained HK$3.90 to HK$38.10.

**JAKARTA** was another strong performer as investors bought stocks across the board following the recovery in the yen and strong rises elsewhere in the region. The composite index closed 20.65 higher at 440.09 in turnover of Rp321bn.

All sectoral indices were up, with basic-industry and manufacturing stocks among the biggest gainers. The basic-industry index was up 10.5 per cent while the manufacturing index was 6 per cent higher.

Bellwether telecommunication stocks were the main gainers. Telkom was up Rp200 at Rp4,275 *while Indosat rose Rp575 to* Rp16,600. Both dual-listed stocks account for more than 30 per cent of the market capitalisation.

**KUALA LUMPUR** surged ahead with the composite index closing 20.94 higher at 471.82, off a peak of 487.12.

Index heavyweight Tenaga gained 60 cents to M$5.80 and Telekom rose 45 cents to M$6.80, together pushing the index up 9.84 points.

Fast food retailer KFC Holdings failed to join the rally, falling 38 cents to a 1998 low of M$2.68. Analysts blamed the fall on questions from investors over the use of company funds.

**SYDNEY** racked up its sharpest single session gain since October 1997 with the All Ordinaries index advancing 58.9 to 2,608.2. Telstra rose 8 cents to A$3.86 and recently floated insurer AMP gained 87 cents to A$20.52 on 11.7m shares traded.

Against the trend, **BOMBAY** headed lower on heavy selling by foreign institutions and the BSE-30 index finished 108.62 lower at 3,292.33.

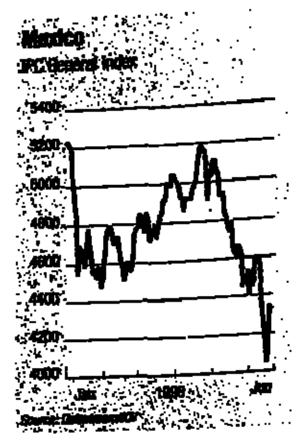
Analysts noted that some heavy selling was triggered by an unsubstantiated rumour that a group of brokers had managed to obtain a court ruling setting aside an order by the Securities and Exchange Board of India intended to restrict short sales.

**EMERGING MARKET FOCUS**

## Mexico set for term-end blues

For a quarter of a century Mexico has suffered the *sexenio* curse - a financial meltdown at the end of each six-year presidential term.

With elections looming in 2000, the good news is President Ernesto Zedillo is trying to break the curse. The bad news is that cracks are appearing two years ahead of schedule.




As elsewhere in Latin America, Mexican stocks have been hit by what Credit Suisse First Boston said this week was a bear market that started in July 1997. Since then, Mexican stocks have *fallen 31 per cent*, Chile's 35 per cent, Brazil's 34 per cent and Argentina's Merval index, 33 per cent.

Asia's crisis, and its knock-on effects in Russia and Japan, soured investors towards Latin America. According to one estimate, there were net outflows of $543m from Mexico in the first quarter.

Yesterday, the Mexican index opened at 4,304 points after a bounce this week. It started the year at 5,204 points. Meanwhile, the peso has slid 10 per cent.

The problems have been compounded by low oil prices. A drop in Mexican crude prices to 12-year lows may lead to a third budget cut this year and has widened the trade deficit.

Mexico's economy remains robust and industrial production in the first four months of the year rose 7.9 per cent compared to the same period in 1997.

But budget cuts and a potential slowdown in the US economy are expected to curb growth in the second half. Inflation, spurred by the falling peso, may also force the central bank to tighten monetary policy.

Some argue that in spite of the dark clouds, Mexican stocks are better poised for a rebound than their South American counterparts. Companies geared to the domestic market, such as retailers, are enjoying double-digit sales growth in the second quarter, even if exporters have been hit by low commodity prices.

Mexican companies have restructured and strengthened their balance sheets, said Susan Gilbertson, strategist at Paribas in New York. The problem was there was "no huge pool of money riding to the rescue".

Others say political pressures may be Mexico's undoing. President Zedillo has sought to defy the *sexenio* curse by appointing a central bank governor, Guillermo Ortiz, to run monetary policy until after the 2000 transition. But opposition politicians are calling for Mr Ortiz's resignation in the wake of a scandal over the $65bn cost of Mexico's 1995-1997 bailout of the banking sector when he was finance minister.

They have also blocked President Zedillo's legislative attempts at financial sector reform, as well as the addition of the bank bailout cost to Mexico's public debt.

"The end of *sexenio* concerns are starting now," says Felix Boni of WestMerchant Bank in Mexico. He argues investors may be put off Mexico in the long-term if the country is unable to muster the political will for continued structural reform.

**Henry Tricks**

## Rates threat hurts Frankfurt

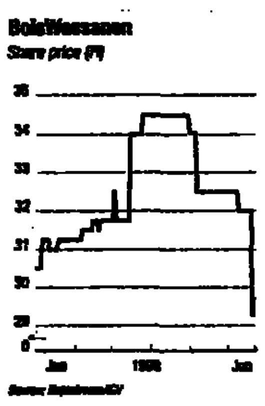
**EUROPE**

An upbeat economic report from the Bundesbank, which appeared to soften up the market for the prospect of higher interest rates, left **FRANKFURT** in retreat from a record intraday high. The Xetra Dax index peaked at 5,811.70 before turning back to close late electronic trade 52.94 lower on the day at 5,689.89.

Among the day's movers, Henkel gave up DM9 to DM152 after Wednesday's takeover rumours, which fuelled a rise of 10 per cent at one stage.

Among the motor stocks, Volkswagen began trade at a record high for a third straight day, amid reports that it was close to acquiring Bugatti, the sports car maker. Later in the day, the shares pulled back to close DM40 lower at DM1,717. The shares have enjoyed a number of analysts' upgrades and increased price targets in the wake of its acquisitions of Rolls Royce Motors of the UK and Italy's Lamborghini.

**AMSTERDAM** moved lower with a profits warning from BolsWessanen sending shock waves through the consumer sectors. The AEX index closed off 13.78 at 1,161.09.




BolsWessanen tumbled 9.3 per cent after the drinks and foods leader announced that first half profits would show a greater decline than earlier forecast. The shares ended off Fl 3 at Fl 29.20 after touching a session low of Fl 27.40.

*Goldman Sachs cut its* 1998 earnings forecasts for the group by 10 per cent and reduced target prices for the stock to Fl 25. The negative sentiment appeared to wash over onto Heineken, which gave up Fl 2.30 at Fl 75.20 in sympathy.

Philips, up 10 cents at Fl 176.20 on the overnight gains for US tech shares, and Ahold, which improved 30 cents to Fl 62.20 on a positive note from Goldman Sachs, were rare firm features.

**PARIS** traded quietly with the CAC 40 index giving up 36.48 at 4,054.44 in below average turnover.

Lagardère led the way down among blue chips, losing FFr12.70 or 4.7 per cent at FFr258.30, followed by SGS-Thomson which lost FFr13.50 at FFr414.

Selected banks were a firm feature. BNP added FFr5 at FFr486.50 and Paribas FFr10 at FFr605.

LVMH tooks its cue from another day of bounce for Asian stock markets, gaining FFr35 to FFr1,201.

**ZURICH** turned back as investors took profits after a two-day rally and the SMI index closed 74.7 lower at 7,488.

Losses in a number of heavyweights *put pressure* on the index. Roche certificates fell SFr165 to SFr14,125, while Novartis lost SFr19 to SFr2,346 and Nestlé was SFr50 lower at SFr3,160.

Clariant, strong in recent sessions, continued to move ahead, adding *SFr47* to SFr1,040 in response to a strong company outlook and rumours of possible takeover activity.

Most construction-related shares, cyclicals and machinery shares, under pressure early in the week on worries about Asian exposure, were again-marked lower. Sulzer lost SFr30 to SFr1,200.

Richemont, the luxury goods and tobacco group, jumped SFr54 to SFr1,979 as the company took the market by surprise with a rise in annual profit of more than 27 per cent.

**MILAN** weakened on technical selling ahead of today's options expiry. The Mibtel index fell 364, or 1.6 per cent, to 23,167.

BCI lost L160 to L10,414 on profit-taking after rallying on Wednesday on its announcement of a 104 per cent jump in gross operating profits.

ENI, the electric utility, ended down L326 to L11,478 after the government announced it would retain a controlling stake in the group after the sale of a fourth tranche of shares.

Luxury goods group Bulgari continued to firm on optimism over Asia, adding L72 to L9,931.

**MADRID** was dragged down by a sharp fall in the futures market. The general index fell 9.62 or 1 per cent *to 854.76.*

Cofir, the holding company that runs hotels and develops property, rose Pta180 or 8.7 per cent to Pta2,300 on its plans to operate in the US.

Amper, the telecoms equipment maker, gained *Pta35 to Pta4,125* on reports that Telefónica would buy a 9.4 per cent stake in the company from Indra, the state-owned electronics company.

The shares rose more than 5 per cent during the day, but some of the gains were eroded after Telefónica denied the reports and said negotiations of the purchase were ongoing.

Weak oil prices hit Repsol, the energy group, which fell Pta180 to Pta8,340.

**HELSINKI** lost ground on position adjustment ahead of the long weekend. The market is closed today due to a public holiday and the HEX index fell 45.47, or 1 per cent, to 4,699.09.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono, Paul Gregan and Mike Scott

**SOUTH AFRICA**

The futures closeout and a struggling rand pulled Johannesburg off its highs. The overall index, up 2 per cent in morning trade, finished 25.3 higher at 7,043.3.

Industrials edged 10.8 higher to 8,442.5 and golds were just 3.3 ahead at 818.3.

Turnover of R2.7bn comprised 29,053 deals, the highest number traded in one day in the exchange's 110-year history.